TLMC

TAK LEE MACHINERY HOLDINGS LIMITED
德 利 機 械 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 2102

ANNUAL
REPORT
2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. CHOW Luen Fat *(Chairman and Chief Executive Officer)*
Ms. LIU Shuk Yee
Ms. NG Wai Ying

Non-executive Director
Ms. CHENG Ju Wen

Independent non-executive Directors
Sir KWOK Siu Man KR
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

COMPANY SECRETARY

Ms. NG Wai Ying

AUTHORISED REPRESENTATIVES

Mr. CHOW Luen Fat
Ms. NG Wai Ying

BOARD COMMITTEES

Audit Committee
Mr. LAW Tze Lun *(Chairman)*
Sir KWOK Siu Man KR
Dr. WONG Man Hin Raymond

Remuneration Committee
Dr. WONG Man Hin Raymond *(Chairman)*
Sir KWOK Siu Man KR
Mr. LAW Tze Lun

Nomination Committee
Sir KWOK Siu Man KR *(Chairman)*
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

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

CORPORATE INFORMATION

INDEPENDENT AUDITOR

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

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

2102

COMPANY'S WEBSITE

www.tlmc-hk.com

TLMC

HITACHI

In January 2012, the Group became the authorised dealer for various heavy equipment of *Hitachi* 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.

BELL

In August 2019, the Group became the authorised distributor in respect of articulated dump trucks and articulated trucks (water tankers) of *Bell* brand in Hong Kong.

TLMC

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.

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.

AIRMAN®

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

ROTOBEC

TOUGH HANDLING EQUIPMENT

In November 2018, the Group became the authorised dealer of *Rotobec* brand grapples and other earthmoving attachments in Hong Kong and Macao, and also the exclusive dealer for the supply of their Orange Peels product line in such territories.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board" and the "Director(s)", respectively) of Tak Lee Machinery Holdings Limited (the "Company"), it is my pleasure to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 July 2020.

The Group recorded an increase in the consolidated net profit attributable to shareholders of the Company (the "Shareholders") for the year ended 31 July 2020 by approximately 32.9% to approximately HK$51.3 million from approximately HK$38.6 million for the year ended 31 July 2019. Earnings per share for the year ended 31 July 2020 was HK5.13 cents per share, representing an increase of 32.9% compared with HK3.86 cents per share for the same period in 2019.

The Board has recommended the payment of a final dividend of HK1.0 cent per share for the year ended 31 July 2020. Together with the special dividend of HK1.5 cents per share paid, the total cash dividend for the year ended 31 July 2020 will amount to HK2.5 cents per share (2019: HK0.5 cent per share).

This result has been achieved amidst a challenging global backdrop, punctuated by severe outbreak of novel coronavirus disease 2019 (the "COVID-19") and the negative economic growth in Hong Kong during the year ended 31 July 2020. With the expansion of the scale of operation, the Group has continued to serve customers, who relied on both its products and services, in notable public or private projects in Hong Kong, including:

- Liantang Heung Yuen Wai Boundary Control Point Project (the entire project is expected to complete in 2022);
- Shatin to Central Link project (the entire project is expected to complete from 2021 to 2022);
- Hong Kong International Airport Three Runway System Project (the entire project is expected to complete in 2024);
- Tung Chung New Town Extension (the entire project is expected to complete in 2024);
- Tseung Kwan O – Lam Tin Tunnel (the entire project is expected to complete from 2021 to 2022);
- Tuen Mun – Chek Lap Kok Link Northern Connection Sub-sea Tunnel Section (the entire project is expected to complete in 2020); and
- Central Kowloon Route (the entire project is expected to complete in 2027).

Driven by the demand arising from the commencement and progress of some of the large-scale infrastructure and reclamation projects aforementioned, the Group has significant growth in leasing business and the pre-tax contribution from leasing segment increased by 106.0% for the year ended 31 July 2020. The Company was not materially and adversely affected by the outbreak of the COVID-19 during the year ended 31 July 2020.

CHAIRMAN'S STATEMENT

I also take this opportunity to share with you that the listing of shares of the Company (the "Shares") was successfully transferred from GEM to the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 6 October 2020 (the "Transfer of Listing"). We believe that the Transfer of Listing will be able to enhance the profile of the Group and strengthen the recognition of the Group in the industry and among both institutional and retail investors, which would result in a larger investor base and greater trading liquidity of the Shares and enhance the competitiveness of the Group in the industry.

As the development of the COVID-19 outbreak remains highly unpredictable, the extent of its impact on the economy of Hong Kong is subject to much uncertainties. The industry which the Group operates in may be directly or indirectly affected. Nonetheless, given the number of the planned infrastructure projects and the stringency of the environmental regulatory regime implemented in Hong Kong, and in the even longer term, the government's "Lantau Tomorrow Vision" and the "Hong Kong 2030" plans which proposed large-scale land reclamations and public infrastructure, the Directors are of the view that there remains a growth momentum for the heavy equipment sales and leasing markets in Hong Kong, and hence the outlook and the prospects remain positive for the business of the Group.

Going forward, the Directors will continue to diversify its supplier base and product offering so as to boost its competitive edge in the long run. In particular, in view of the potential numbers of reclamation work and projects, which generally involve more complex earthmoving operation, the Directors intend to procure more dealership or distributorship under which specialised earthmoving equipment will be supplied.

On behalf of the Board, I would like to express my gratitude for the unwavering dedication and support from the Group's management, staff members, customers and other business partners over the years, which enable the Group to attain the status that it has today. The Group will make continuous effort to explore new business opportunities, achieve excellent results and contribute to the community.

CHOW Luen Fat
Chairman

Hong Kong, 20 October 2020

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is an earthmoving equipment sales and leasing service provider in Hong Kong with over 19 years of presence in the industry. The Group is principally engaged in (i) the sales of new and used earthmoving equipment and spare parts, (ii) the leasing of earthmoving equipment, and (iii) the provision of maintenance and ancillary services for earthmoving equipment users. The Group also offers some heavy equipment other than earthmoving equipment for sales and for leasing.

BUSINESS REVIEW AND OUTLOOK

The Group recorded an increase in profit attributable to owners of the Company for the year ended 31 July 2020 by approximately 32.9% to approximately HK$51.3 million from approximately HK$38.6 million for the year ended 31 July 2019.

The increase in net profit of the Group for the year ended 31 July 2020 was mainly attributed to the growth in the leasing business of the Group, which was driven by the demand arising from the commencement and progress of large-scale infrastructure and reclamation projects in Hong Kong such as the Three Runway System of the Hong Kong International Airport and the Tung Chung New Town Extension. The Company was not materially and adversely affected by the outbreak of the COVID-19 during the year ended 31 July 2020.

Earnings per share for the year ended 31 July 2020 was HK5.13 cents per share, representing an increase of approximately 32.9% compared with HK3.86 cents per share for the year ended 31 July 2019. The basis of calculating the earnings per share is detailed in note 15 to the consolidated financial statements.

The outbreak of COVID-19 poses threats to the local economy. As the development of such epidemic remains to be unpredictable, the extent of its impact on the economy of Hong Kong is subject to much uncertainties. The industry which the Group operates in may be directly or indirectly affected. Nonetheless, based on the government's plan, the Group remains cautiously optimistic on the outlook and the prospects for sales and leasing of heavy equipment. According to the 2020-21 Budget Speech, the Hong Kong government will continue to invest in infrastructure projects. In the next few years, the annual capital works expenditure is expected to reach HK$100 billion on average, and the annual total construction output will increase to around HK$300 billion. Besides, due to the land enhancement strategy by reclamation and rock cavern development proposed by the government and the commencement of several other large-scale infrastructure projects, such as the Three Runway System of the Hong Kong International Airport, Route 6 Development and the Tung Chung New Town Extension, 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 capture opportunities, the Group is committed to the diversification of its supplier base and product offering. For instance, during the year ended 31 July 2020, the Group entered into a new dealership agreement, under which the Group was granted the dealership for foundation equipment. While monitoring closely the impact of the COVID-19 on the industry the Group operates in, the Group will continue to implement its corporate strategies to preserve and strive for the growth of the Group in the long term. The Group will continue to identify suitable suppliers and products in pursuit of more dealerships or distributorships of heavy equipment, which would further boost its competitive edge in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

The Group generated a majority of its revenue from its sales business, in which a substantial portion of its revenue was derived from the sales of heavy vehicles. For the year ended 31 July 2020, the total revenue of the Group amounted to approximately HK$628.8 million, representing an increase of approximately HK$56.8 million or 9.9% from approximately HK$572.0 million for the year ended 31 July 2019.

Such increase was mainly attributable to the increase in leasing income of approximately 104.7 million and the increase in machinery ancillary services income of approximately HK$1.7 million, which was partially offset by the decrease in sales of heavy equipment and spare parts of approximately HK$49.6 million.

Revenue from the sales of heavy equipment and spare parts

The revenue from the sales of heavy equipment and spare parts decreased by approximately HK$49.6 million or 9.9% from approximately HK$502.0 million for the year ended 31 July 2019 to approximately HK$452.4 million for the year ended 31 July 2020. Such decrease was mainly attributable to the decrease in sales of used heavy vehicles by approximately HK$55.3 million or 27.4% for the year ended 31 July 2020. Such decrease was partly offset by the increase in the sales of new heavy vehicles of approximately HK$10.5 million or 4.4%, mainly due to the market demand of new heavy vehicles arising from the commencement and progress of various infrastructure, reclamation and tunnel projects in Hong Kong.

Revenue from the leasing of heavy equipment

The revenue from leasing of heavy equipment increased by approximately HK$104.7 million or 159.1% from approximately HK$65.8 million for the year ended 31 July 2019 to approximately HK$170.5 million for the year ended 31 July 2020. The increase in revenue was mainly driven by the demand arising from the commencement and progress of large-scale infrastructure and reclamation projects in Hong Kong such as the Three Runway System of the Hong Kong International Airport and the Tung Chung New Town Extension.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of revenue

The cost of revenue amounted to approximately HK$521.7 million for the year ended 31 July 2020, representing an increase of approximately HK$30.0 million or 6.1% from approximately HK$491.7 million for the year ended 31 July 2019. Cost of revenue mainly comprised cost of heavy equipment and spare parts, depreciation, freight and transportation costs, repairs and maintenance costs, staff costs for operators and technicians and sub-leasing fee. The increase in the cost of revenue was mainly driven by the increase in leasing business for the year ended 31 July 2020. Depreciation increased by approximately 60.1% for the year ended 31 July 2020, which was mainly due to the increase in the number of heavy equipment leased out during the year ended 31 July 2020. The corresponding staff costs in leasing business increased by approximately 474.2% for the year ended 31 July 2020, which was mainly attributable to the increase in staff costs for operators. In addition, the sub-leasing fee increased by approximately 138.5% for the year ended 31 July 2020. Such increase was mainly attributable to unexpected demand from customers for the leasing of heavy vehicles which the Group had no such types of heavy vehicles on hand at the time of leasing. Overall speaking, freight and transportation expenses increased by approximately 37.7% for the year ended 31 July 2020. The increase was mainly due to the increase in import of machineries from overseas suppliers. Repairs and maintenance costs also increased by approximately 58.9% for the year ended 31 July 2020 in respect of the increase in costs for repairing and maintenance of leased machineries including articulated dump trucks.

Gross profit and gross profit margin

The gross profit increased by approximately 33.2% from approximately HK$80.4 million for the year ended 31 July 2019 to approximately HK$107.1 million for the year ended 31 July 2020, with gross profit margin at approximately 17.0% for the year ended 31 July 2020 as compared with that of approximately 14.1% for the year ended 31 July 2019. The increases in gross profit and gross profit margin were mainly attributable to the increase in gross profit of the leasing business by approximately HK$32.1 million for the year ended 31 July 2020. The gross profit of the sales of heavy equipment and spare parts decreased by approximately HK$5.5 million and the gross profit of the provision of maintenance and ancillary services remained stable for the year ended 31 July 2020.

The gross profit margin of the sales segment remained stable at approximately 9.9% and 10.1% for the year ended 31 July 2019 and 2020 respectively. The gross profit margin for the leasing segment decreased from approximately 44.6% for the year ended 31 July 2019 to approximately 36.0% for the year ended 31 July 2020. The decrease was mainly due to the increase in proportion of leasing on wet hire basis and additional staff costs incurred for longer operating hours per day of the Group's leased heavy vehicles as required by its customers.

Other income

The other income increased by approximately 138.5% from approximately HK$1.3 million for the year ended 31 July 2019 to approximately HK$3.1 million for the year ended 31 July 2020. The increase was mainly due to the increase in net foreign exchange gain of approximately HK$1.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Administrative and other operating expenses

The administrative and other operating expenses increased by approximately 34.0% from approximately HK$30.3 million for the year ended 31 July 2019 to approximately HK$40.6 million for the year ended 31 July 2020. The increase in administrative expenses was mainly attributable to the increase in the depreciation expenses of right-of-use assets of approximately HK$3.3 million and staff costs (including Directors' emoluments but excluding quarters expenses) of approximately HK$7.7 million as a result of the increase in number of staff and the payment of discretionary bonus.

Finance costs

The finance costs represented interest expenses on bank borrowings, finance lease charges and interest on lease liabilities and increased by approximately 41.0% from approximately HK$3.9 million for the year ended 31 July 2019 to approximately HK$5.5 million for the year ended 31 July 2020. The increase was in line with the increase in the average amount of bank borrowings for the year ended 31 July 2020 as compared to those of last year.

Income tax expense

The income tax expenses increased by approximately HK$3.2 million or approximately 38.3% for the year ended 31 July 2020 compared with those of last year and the increase was in line with the increase in profit before tax.

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the profit attributable to owners of the Company increased by approximately HK$12.7 million or 32.9%, from approximately HK$38.6 million for the year ended 31 July 2019 to approximately HK$51.3 million for the year ended 31 July 2020. The net profit margin increased to 8.2% as compared to 6.7% for the year ended 31 July 2019.

DIVIDEND

The Board has recommended the payment of a final dividend of HK1.0 cent per ordinary share for the year ended 31 July 2020 (the "Final Dividend") to the Shareholders whose names appear on the register of members of the Company on Thursday, 10 December 2020, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Wednesday, 23 December 2020.

Together with the special dividend of HK1.5 cents per ordinary share paid to the Shareholders on 19 March 2020, the total cash dividend for the year ended 31 July 2020 will be HK2.5 cents per ordinary share (2019: HK0.5 cent per ordinary share).

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio (as calculated by dividing the total current assets by the total current liabilities) of the Group as at 31 July 2020 was approximately 3.3 times as compared to that of approximately 2.3 times as at 31 July 2019. The increase was mainly due to the decrease in bank borrowings of approximately HK$61.2 million. As at 31 July 2020, the Group had total bank and cash balances of approximately HK$69.3 million (31 July 2019: approximately HK$66.9 million). In addition, as at 31 July 2020, the Group had bank borrowings of approximately HK$72.9 million (31 July 2019: approximately HK$134.1 million).

The gearing ratio, calculated based on total debts (including bank borrowings and lease liabilities) divided by total equity at the end of the year ended 31 July 2020 and multiplied by 100%, was approximately 19.1% as at 31 July 2020 (31 July 2019: approximately 36.7%). The Group had unutilised banking facilities of approximately HK$93.5 million as at 31 July 2020 (31 July 2019: approximately HK$17.4 million). The Directors consider that the Group's financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Group expects to fund its future operations and expansion plans primarily with cash generated from its operation and bank borrowings.

COMMITMENTS

As at 31 July 2020, the Group's operating lease commitments as lessee and lessor amounted to nil (31 July 2019: approximately HK$4.5 million) and approximately HK$70.2 million (31 July 2019: approximately HK$14.2 million), respectively.

As at 31 July 2020, the Group had capital commitments contracted for but not yet incurred of nil (31 July 2019: approximately HK$1.6 million).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2020, the Group did not have any charge on its assets (31 July 2019: nil).

As at 31 July 2020, the Group did not have any material contingent liabilities (31 July 2019: nil).

CAPITAL STRUCTURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 July 2020, the Company's issued share capital amounted to HK$10,000,000 and there were a total of 1,000,000,000 issued ordinary shares with a nominal value of HK$0.01 each.

SEGMENTAL INFORMATION

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

MATERIAL ACQUISITIONS AND DISPOSALS

During the year ended 31 July 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

EXPOSURE TO FOREIGN EXCHANGE RATE FLUCTUATION

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

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments or any other plans for material investments or capital assets as at 31 July 2020.

DIRECTORS AND SENIOR MANAGEMENT

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 and parts and service support 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) ("Mr. Chow"), aged 47, is the chairman of the Board and the chief executive officer of the Company. 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"), the non-executive Director.

Mr. Chow has more than 22 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 to February 1999. 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. Mr. Chow has also been serving as a director of the subsidiaries of the Company, namely, Econsmart Limited, Success Sky Corporation Limited and Creative Day Limited since September 2001, October 2010 and August 2018, respectively. 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) ("Ms. Liu"), aged 36, 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 18 years of experience in the heavy equipment industry. She joined the Group in August 2002 as a sales officer, and was promoted progressively over the years to manager in July 2009, and senior manager in December 2010.

DIRECTORS AND SENIOR MANAGEMENT

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) ("Ms. Ng"), *CPA & FCCA*, aged 47, 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 has over 25 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. Ms. Ng joined Deloitte Touche Tohmatsu in August 1997 and her last position was senior accountant when she left in May 2000. 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. From August 2009 to November 2015, Ms. Ng was the financial controller in Trillion New HK Limited.

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) ("Ms. Cheng"), aged 48, was appointed as a Director on 11 December 2015 and was re-designated 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.

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 Tak Lee Machinery Company Limited ("Tak Lee Machinery") with Mr. Chow and acted as a director of Tak Lee Machinery. Ms. Cheng has also been serving as a director of the subsidiaries of the Company, namely, Econsmart Limited, Success Sky Corporation Limited and Creative Day Limited since September 2001, October 2010 and August 2018, respectively. 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.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Sir KWOK Siu Man KR (郭兆文) ("Sir Seaman Kwok"), aged 61, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Nomination Committee of the Company and a member of both the Audit Committee and the Remuneration Committee of the Company. Sir Seaman Kwok has over 35 years of experience in legal, regulatory 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. Sir Seaman Kwok is presently an executive director and the head of the corporate secretarial department of Boardroom Corporate Services (HK) Limited, a director of Boardroom Share Registrars (HK) Limited and an executive committee member of Federation of Share Registrars Limited and has been a director of a charity fund since its incorporation in May 1992.

Sir Seaman Kwok holds a professional diploma in company secretaryship and administration and a bachelor's degree of arts in accountancy from The Hong Kong Polytechnic University. He has earned a post-graduate diploma in laws from the Manchester Metropolitan University in England and passed the Common Professional Examinations of England and Wales. Sir Seaman Kwok was the longest-serving (2005-now) elected council member of The Hong Kong Institute of Chartered Secretaries ("HKICS") and the chief examiner for Hong Kong Company Secretarial Practice module of the international qualifying scheme of the HKICS. Sir Seaman Kwok is a fellow member of each of The Chartered Governance Institute in England ("CGI") (formerly The Institute of Chartered Secretaries and Administrators), The Institute of Financial Accountants in England, the HKICS, The Association of Hong Kong Accountants, The Hong Kong Institute of Directors and the Institute of Public Accountants in Australia. Sir Seaman Kwok is also a member of the Hong Kong Securities and Investment Institute and a Chartered Governance Professional of both the CGI and the HKICS. In addition, he possesses other professional qualifications in arbitration, taxation, human resource management and financial planning and was named in the "International WHO's WHO of Professionals" in 1999. Further, Sir Seaman Kwok was conferred as a Knight of Rizal of the Philippines in June 2019.

Mr. LAW Tze Lun (羅子璘) ("Mr. Law"), aged 48, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Audit Committee of the Company and a member of both the Nomination Committee and the Remuneration Committee of the Company. Mr. Law has over 27 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.. Since July 1998, Mr. Law worked at Chiang & Lai C.P.A. as an officer and he was promoted to partner in April 2003. 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 (formerly known as Kee Shing (Holdings) Limited) (stock code: 174) since November 2010 and Justin Allen Holdings Limited (stock code: 1425) since March 2020, which are listed on the Main Board of the Stock Exchange. Mr. Law was an independent non-executive director of National Investments Fund Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1227) during the period from 12 December 2013 to 20 September 2018.

DIRECTORS AND SENIOR MANAGEMENT

In March 1999, Mr. Law obtained a bachelor's degree in commerce (accounting) from Curtin University of Technology in Australia. Since August 2000, 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 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.

Dr. WONG Man Hin Raymond (黃文顯) ("Dr. Wong"), aged 54, was appointed as an independent non-executive Director on 30 June 2017. He is primarily responsible for providing independent advice to the Board. He is also the chairman of the Remuneration Committee of the Company and a member of both the Audit Committee and the Nomination Committee of the Company.

Dr. Wong has been serving as a director of companies listed on the Main Board and GEM of the Stock Exchange. Dr. 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). Dr. Wong has also been serving as an independent non-executive director of Nan Nan Resources Enterprise Limited (stock code: 1229) since March 2008, Modern Healthcare Technology Holdings Limited (formerly known as Modern Beauty Salon Holdings Limited) (stock code: 919) since December 2009 and Zhejiang United Investment Holdings Group Limited (stock code: 8366) since July 2017.

Dr. Wong obtained a bachelor's degree in chemical engineering from Lehigh University in the United States in October 1988, a master's degree in economics from University of Hawaii at Manoa in December 1994 and a doctorate degree in business administration from The Hong Kong Polytechnic University in September 2018. Dr. 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. Dr. Wong was also awarded a certificate in financial management by the Institute of Certified Management Accountants in April 1999.

SENIOR MANAGEMENT

Mr. SHANG-KUAN Cheuk Man (上官卓文) ("Mr. Shang Kuan"), aged 39, is the sales and service support manager. Mr. Shang Kuan oversees the day-to-day sales and leasing activities including procurement and after sales services. He joined the Group in October 2014.

Mr. Shang Kuan has experience of over 5 years in sales and service support management in the heavy equipment industry.

DIRECTORS AND SENIOR MANAGEMENT

Mr. LEE Shun On (李順安) ("Mr. Lee"), aged 36, is the parts and service support manager. Mr. Lee is responsible for overseeing the sales of spare parts and after sales services. Mr. Lee has worked in the heavy equipment industry for over 6 years. He joined the Group in March 2014 as a technician and was promoted progressively over the years to parts and service support manager in May 2018.

COMPANY SECRETARY

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

REPORT OF THE DIRECTORS

The Board is pleased to present its report and the audited consolidated financial statements of the Group for the year ended 31 July 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements. There was no significant change in the Group's principal activities during the year ended 31 July 2020.

TRANSFER OF LISTING

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.

The Company's issued ordinary shares of HK$0.01 each were initially listed on GEM of the Stock Exchange since 27 July 2017 (the "Listing Date"). The listing of Shares was transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020.

BUSINESS REVIEW

Detailed business review is set out in the section headed "Management Discussion and Analysis" ("MD&A") of the annual report from pages 8 to 13. 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 pages 6 to 7.

PRINCIPAL RISKS AND UNCERTAINTIES

Discussion of principal risks and uncertainties is included in the section headed "Chairman's Statement" in the annual report from pages 6 to 7. 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 the operations and financial position as efficiently and effectively as possible.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The business of the Group depends on, among others, its ability to meet its customers' requirements in respect of safety, quality and environmental aspects. In order to meet customers' requirements, the Group has established safety, quality and environmental management systems. Through an effective control of its 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 in due course according to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

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 the year ended 31 July 2020.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the year ended 31 July 2020, 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 suppliers 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 in due course according to the Listing Rules.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 July 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

The Board has recommended the payment of a Final Dividend of HK1.0 cent per Share to the Shareholders whose names appear on the register of members of the Company (the "Register of Members") on Thursday, 10 December 2020, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company. The proposed final dividend, if approved, will be paid to the Shareholders on or around Wednesday, 23 December 2020.

Together with the special dividend of HK1.5 cents per Share paid to the Shareholders on 19 March 2020, the total cash dividend for the year ended 31 July 2020 will be HK2.5 cents per Share (2019: HK0.5 cent per Share).

REPORT OF THE DIRECTORS

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "2020 AGM") will be held on Monday, 30 November 2020. A notice convening the 2020 AGM will be issued and despatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the 2020 AGM

The Register of Members will be closed from Wednesday, 25 November 2020 to Monday, 30 November 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2020 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (the "Hong Kong Branch Share Registrar") for registration no later than 4:30 p.m. on Tuesday, 24 November 2020.

For the Final Dividend

The Register of Members will be closed from Monday, 7 December 2020 to Thursday, 10 December 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong Branch Share Registrar for registration no later than 4:30 p.m. on Friday, 4 December 2020.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 July 2020 are set out in the consolidated statement of changes in equity on page 54 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 July 2020 are set out in note 16 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 120 of the annual report. This summary does not form part of the consolidated financial statements.

REPORT OF THE DIRECTORS

CHARITABLE CONTRIBUTIONS

During the year ended 31 July 2020, the Group made charitable contributions totalling HK$465,000 (2019: HK$551,000).

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers was 43.7% (2019: less than 30%) of the Group's total revenue for the year ended 31 July 2020 with the largest customer accounted for 20.4% of the total revenue. The percentage of purchases attributable to the Group's five largest suppliers was 71.6% (2019: 65.8%) of the Group's total purchases for the year ended 31 July 2020 with the largest supplier accounted for 32.7% (2019: 45.4%) 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 Listing Rules and the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 five largest customers or suppliers.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 July 2020.

SUFFICIENCY OF PUBLIC FLOAT

During the year ended 31 July 2020 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 year ended 31 July 2020 and thereafter up to the date of this report as required under the Listing Rules and the GEM Listing Rules, which were respectively applicable to the Company during the relevant periods after and prior to the Transfer of Listing.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the Company's share capital are set out in note 26 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Scheme") is a share incentive scheme adopted on 30 June 2017. There were no share options granted or agreed to be granted under the Scheme for the period from the date of its adoption to 31 July 2020 and up to the date of this report. As such, no share options were exercised, cancelled or lapsed under the Scheme for the period from the date of its adoption to 31 July 2020 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 its 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.

REPORT OF THE DIRECTORS

(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 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 option 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 Listing Rules) or any independent non-executive Director or their respective associates (as defined in the 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 sheet 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 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 ended 31 July 2020 or subsisted at the end of the year ended 31 July 2020.

DISTRIBUTABLE RESERVES

Share premium and retained profit of the Company may be available for distribution to the 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 the Shareholders as at 31 July 2020 amounted to approximately HK$87.6 million (31 July 2019: approximately HK$86.3 million).

REPORT OF THE DIRECTORS

DIRECTORS

During the year ended 31 July 2020 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
Sir KWOK Siu Man KR
Mr. LAW Tze Lun
Dr. 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/she retires.

Ms. Liu Shuk Yee, Ms. Cheng Ju Wen and Sir Kwok Siu Man KR will retire by rotation and, being eligible, offer themselves for re-election at the 2020 AGM.

DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service agreement with the Company for renewing his/her term of office for three years commencing on 27 July 2020 subject to renewal and termination in certain circumstances as stipulate in the relevant service agreement.

The non-executive Director and each of the independent non-executive Directors has entered into a letter of appointment with the Company for renewing her/his term of office for one year commencing on 27 July 2020 subject to renewal and termination in certain circumstances as stipulated in the relevant letter of appointment.

Save as disclosed above, none of the Directors proposed for re-election at the 2020 AGM has a service agreement or letter of appointment 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 3.13 of the Listing Rules. The Nomination Committee of the Company 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 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO")), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were set out as follows:

Interests in the Company

Long positions in the Shares

Directors	Nature of interest	Number of Shares held	Percentage of the Company's issued Shares
Mr. CHOW Luen Fat ("Mr. Chow")	Interest in a controlled corporation (Note)	750,000,000	75%
Ms. CHENG Ju Wen ("Ms. Cheng")	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, the chairman of the Board, the chief executive officer of the Company and an executive Director and 50% by Ms. Cheng, the non-executive Director. Mr. Chow and Ms. Cheng are spouses. Under the SFO, each of Mr. Chow and Ms. Cheng is deemed to be interested in the same number of Shares held by Generous Way.

REPORT OF THE DIRECTORS

Interests in associated corporation of the Company

Long positions in the ordinary shares of an associated corporation

Directors	Name of associated corporation	Nature of interest	Number of ordinary shares held	Percentage of issued ordinary shares
Mr. CHOW Luen Fat	Generous Way Limited	Beneficial owner	50	50%
Ms. CHENG Ju Wen	Generous Way Limited	Beneficial owner	50	50%

Save as disclosed above, as at 31 July 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

As at 31 July 2020, so far as the Directors were aware, the following entity (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

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

Save as disclosed above, as at 31 July 2020, the Directors were not aware of any persons who or entities which had interests or short positions in the Shares or underlying Shares, which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the year ended 31 July 2020 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 or an entity connected with any of them had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 July 2020 or at any time during the year ended 31 July 2020.

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 subsisted at the end of the year ended 31 July 2020 or at any time during the year ended 31 July 2020.

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 the year ended 31 July 2020, 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 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 Limited regarding certain non-competition undertakings.

REPORT OF THE DIRECTORS

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 the year ended 31 July 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2020, the Group employed 211 (31 July 2019: 117) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK$92.6 million for the year ended 31 July 2020 (2019: approximately HK$30.6 million). The Group determines the employees' remuneration based on factors such as their performance, qualification, position, duty, contributions and years of experience, local market conditions and the Group's results. The remuneration policy is reviewed by the Board regularly. The remuneration package includes salary, allowances and bonus. The Group also makes contributions to the mandatory provident fund scheme. The Company adopted a share option scheme on 30 June 2017 for the purpose of enabling the Company to grant options to, among others, the employees and directors of the Group as incentives or rewards for their contribution or potential contribution to the Group. The Group also arranges technical trainings to its existing employees on the operations of its existing and newly introduced heavy vehicles and other heavy equipment provided by the manufacturers.

INTERESTS OF COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Southwest Securities (HK) Capital Limited ("Southwest Securities") as its compliance adviser since the listing of its Shares on GEM of the Stock Exchange on 27 July 2017 until 17 October 2019, being the date of publication of the annual report for the Company for the second full financial year commencing after the Listing Date. As notified by Southwest Securities, save for (i) the compliance adviser agreement and (ii) the agreement for the provision of financial advisory service entered into between the Company and Southwest Securities dated 4 July 2017 and 31 July 2019, respectively, prior to its ceasing to act as the compliance adviser, neither Southwest Securities nor any of its directors, employees or close associates had any interests in relation to the Company which is required to be notified to the Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during the year ended 31 July 2020 and the year ended 31 July 2019 are set out in note 33 to the consolidated financial statements.

The Directors consider that the significant related party transactions disclosed in note 33 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 and Chapter 14A of the Listing Rules requiring compliance with any of the reporting, announcement or independent Shareholders' approval requirements.

REPORT OF THE DIRECTORS

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Board has reviewed the audited consolidated financial statements of the Group for the year ended 31 July 2020 and is of the view that such statements have been prepared in compliance with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosure has been made.

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. The Company has also arranged proper insurance coverage in respect of legal actions against the Directors' liability.

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 ended 31 July 2020 are set out in notes 12 and 13 to the consolidated financial statements, respectively.

CHANGES IN INFORMATION OF DIRECTORS

Change in information of Directors since the date of the Interim Report 2019-20 of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Law Tze Lun, an independent non-executive Director, has been appointed as an independent non-executive director, the chairman of the audit committee, and a member of each of the remuneration committee and nomination committee of Justin Allen Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1425) with effect from 20 March 2020.

CORPORATE GOVERNANCE PRACTICES

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 during the year ended 31 July 2020, save for the deviation from code provision A.2.1.

Reasons for the derivation from code provision A.2.1 and further information on the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of the annual report from pages 33 to 45.

The company secretary of the Company is Ms. NG Wai Ying, whose biographical details are set out on page 15.

REPORT OF THE DIRECTORS

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the 2020 AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the 2020 AGM to be held on Monday, 30 November 2020 to seek the Shareholders' approval on the re-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.

There has been no change in independent auditor of the Company in the preceding three years.

IMPORTANT EVENTS AFTER THE YEAR ENDED 31 JULY 2020

Save for the Transfer of Listing, the Board is not aware of any important events affecting the Group, which have occurred subsequent to the end of the year ended 31 July 2020 and up to the date of this report.

On behalf of the Board
CHOW Luen Fat
Chairman

Hong Kong, 20 October 2020

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to 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

The Company's corporate governance practices are based on, among others, the principles and the code provisions as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules (applicable to the Company immediately after the Transfer of Listing) and Appendix 15 to the GEM Listing Rules (applicable to the Company prior to the Transfer of Listing).

The Company has complied with all applicable code provisions set out in the CG Code contained in Appendix 15 to the GEM Listing Rules during the year ended 31 July 2020, save for the deviation from code provision A.2.1. Reasons for such derivation are set out in the paragraph headed "Chairman and Chief Executive" in this report.

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. 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. Proper insurance coverage in respect of legal actions against the Directors' liability has been arranged by the Company.

CORPORATE GOVERNANCE REPORT

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 judgement.

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
Sir KWOK Siu Man KR
Mr. LAW Tze Lun
Dr. WONG Man Hin Raymond

Note: Mr. Chow Luen Fat, the chairman of the Board and the chief executive officer of the Company, and Ms. Cheng Ju Wen, the non-executive Director, are spouses.

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 above, there was no financial, business, family or other material relationship among the Directors during the year ended 31 July 2020 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 continue to make various contributions to the Company.

Throughout the year ended 31 July 2020 and up to the date of the annual report, the Company fulfilled the requirements set out in Rules 5.05 and 5.05A of the GEM Listing Rules (applicable to the Company prior to the Transfer of Listing) and Rules 3.10 and 3.10A of the Listing Rules (applicable to the Company immediately after the Transfer of Listing) 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 3.13 of the 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 3.13 of the Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing on 27 July 2020.

Each of the non-executive Directors (including INEDs) has entered into a letter of appointment with the Company for a term of one year commencing on 27 July 2020.

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/she 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 is scheduled to meet at least 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 of the Company 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.

During the year ended 31 July 2020, five Board meetings were held. The attendance of each Director at Board meetings during the year ended 31 July 2020 is as follows:

	No. of attendance/No. of meetings
Mr. CHOW Luen Fat	5/5
Ms. LIU Shuk Yee	5/5
Ms. NG Wai Ying	5/5
Ms. CHENG Ju Wen	5/5
Sir KWOK Siu Man KR	5/5
Mr. LAW Tze Lun	5/5
Dr. WONG Man Hin Raymond	5/5

CORPORATE GOVERNANCE REPORT

Nomination Policy

The Board has formalised its existing practices into a nomination policy. The nomination policy sets out the criteria, procedures and process for the selection, appointment and re-election of the Directors.

The Nomination Committee, if having consideration of the current Board composition and size and shareholder structure of the Company recommends the addition of new director, or at the time where casual vacancy arises, shall determine the required skilled set, relevant expertise and experience for the new Director.

The Nomination Committee may invite nominations of candidates from Board members for its consideration prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

The Nomination Committee will consider, among others, the following factors when assessing the suitability of a proposed candidate:

- reputation for integrity;
- accomplishment and experience (in particular those with expertise in the financial services industry or listed companies);
- commitment in terms of time and interest;
- gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- potential contribution to board diversity;
- independence with reference to the independence guidelines set out in the Listing Rules if the potential candidates will be appointed as independent non-executive Directors; and
- number of directorships in other listed/public companies if the potential candidates will be appointed as independent non-executive Directors.

The Nomination Committee has the discretion to nominate any person as it considers appropriate. Once the Nomination Committee agreed on a preferred candidate, for new addition to the Board or filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval; whereas for proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

In cases of re-election of existing Directors who will retire at annual general meetings or general meetings of the Company, the Nomination Committee will review the performance, independence (in the case of independent non-executive Director), rotation and retirement of Directors and make recommendations to the Board accordingly.

CORPORATE GOVERNANCE REPORT

Board Diversity Policy

The Board has reviewed the 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 are made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates are 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 responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

The Company from time to time funds and arranges 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 the year ended 31 July 2020 is summarised as follows:

	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
Sir KWOK Siu Man KR	A and B
Mr. LAW Tze Lun	A and B
Dr. 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

CORPORATE GOVERNANCE REPORT

Compliance with the Required Standard of Dealings in Securities by Directors

The Company has adopted the required standard of dealings as contained in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings") as its required standard for Directors' dealings in the securities of the Company prior to the Transfer of Listing. Following the Transfer of Listing, the Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct for securities transactions by Directors. 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 year ended 31 July 2020.

The Model Code 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 the fact that Mr. Chow Luen Fat is one of the founders of the Group and has been operating and managing the Group since its establishment in 2001, all the other Directors believe that the vesting of the roles of chairman and chief executive officer in Mr. Chow 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), Sir Kwok Siu Man KR and Dr. Wong Man Hin Raymond.

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.

The Audit Committee shall meet with the Company's external auditor at least twice a year. During the year ended 31 July 2020, four Audit Committee meetings were held. At the meetings, the Audit Committee, among other matters, (i) reviewed the report from the external auditor regarding the audit on the Group's annual consolidated financial statements; (ii) reviewed the annual, interim and quarterly results announcements and reports; (iii) 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; (iv) reviewed the risk management and internal control systems; and (v) reviewed the internal control review reports from the external consultant.

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

	No. of attendance/No. of meetings
Mr. LAW Tze Lun *(Committee Chairman)*	4/4
Sir KWOK Siu Man KR	4/4
Dr. WONG Man Hin Raymond	4/4

The annual report for the year ended 31 July 2020 has been reviewed by the Audit Committee.

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 Dr. Wong Man Hin Raymond (chairman of the Remuneration Committee), Sir Kwok Siu Man KR and Mr. Law Tze Lun.

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, assessing performance of executive Directors and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

During the year ended 31 July 2020, two Remuneration Committee meetings were held. At the meetings, the Remuneration Committee, among other matters, reviewed and recommended to the Board for consideration the remuneration policy and certain remuneration-related matters of the Directors and senior management.

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

	No. of attendance/No. of meetings
Dr. WONG Man Hin Raymond *(Committee Chairman)*	2/2
Sir KWOK Siu Man KR	2/2
Mr. LAW Tze Lun	2/2

CORPORATE GOVERNANCE REPORT

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 Sir Kwok Siu Man KR (chairman of the Nomination Committee), Mr. Law Tze Lun and Dr. 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, monitoring and reviewing the implementation of the Company's nomination policy and board diversity policy, and reviewing the measurable objectives that the Board has set for implementing the Company's Board diversity policy.

During the year ended 31 July 2020, one Nomination Committee meeting was held. At the meeting, the Nomination Committee, among other matters, (i) reviewed the structure, size and composition of the Board; (ii) assessed the independence of the INEDs; (iii) reviewed the effectiveness of the Board diversity policy; and (iv) recommended to the Board for consideration the re-election of the retiring Directors at the 2019 AGM.

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

	No. of attendance/No. of meetings
Sir KWOK Siu Man KR *(Committee Chairman)*	1/1
Mr. LAW Tze Lun	1/1
Dr. WONG Man Hin Raymond	1/1

2019 AGM

To ensure an effective communication with Shareholders, the chairman of the Board, the respective chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee, and representatives of the external auditor of the Company attended the 2019 AGM held on 9 December 2019.

The attendance of each Director at the 2019 AGM is as follows:

	Attendance
Mr. CHOW Luen Fat	✓
Ms. LIU Shuk Yee	✓
Ms. NG Wai Ying	✓
Ms. CHENG Ju Wen	✓
Sir KWOK Siu Man KR	✓
Mr. LAW Tze Lun	✓
Dr. WONG Man Hin Raymond	✓

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 the year ended 31 July 2020 are set out in note 13 to the consolidated financial statements. The remuneration of the Directors are determined with reference to the Group's operating results, the responsibilities, duties and individual performance of the Directors.

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 the year ended 31 July 2020 by band is set out below:

Remuneration band (in HK$)	Number of individuals
Nil to 1,000,000	2

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 the year ended 31 July 2020 amounted to HK$0.7 million.

The remuneration paid or payable to RSM Hong Kong and its related entities in respect of the services in connection with the Transfer of Listing and other permissible non-audit services amounted to HK$0.4 million (2019: HK$0.2 million) and HK$41,000 (2019: HK$48,000) respectively.

CORPORATE GOVERNANCE REPORT

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 Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 pages 50 to 51 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, BT Corporate Governance Limited, to assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and conduct an internal control review on the adequacy and effectiveness of the risk management and internal control systems of the Group for the year ended 31 July 2020. Through the risk identification and assessment processes, risks are identified, assessed and prioritised, and treatments are allocated. The relevant risk management framework follows the COSO Enterprise Risk Management – Integrated Framework, which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions. The internal control review covers certain business cycles and procedures undertaken by the Group, and makes 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.

During the year ended 31 July 2020, the Board, through the Audit Committee, conducted the annual 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.

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 SFO, 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, 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 of the Company (the "Company Secretary") is Ms. Ng Wai Ying ("Ms. Ng"), who has sound understanding of the operations of the Board and the Group. During the year ended 31 July 2020, 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 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 EGM 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.

CORPORATE GOVERNANCE REPORT

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, New Territories, 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(s) 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(s) 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 requisitionist(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, New Territories, Hong Kong) 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.

DIVIDEND POLICY

The Group does not have any pre-determined dividend distribution ratio. The declaration of any dividends depends on the results of operations, cash flows and financial condition, cash requirements and other relevant factors that the Directors deem relevant from time to time. Dividends may be paid only out of the Company's distributable reserves as permitted under the relevant laws. Final dividend for any financial year will in addition be subject to Shareholders' approval.

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 notices, and other financial and non-financial information published on the respective websites of the Stock Exchange and the Company in a timely manner.

CONSTITUTIONAL DOCUMENTS

There were no changes in the constitutional documents of the Company during the year ended 31 July 2020.

The Memorandum and Articles of Association of the Company is available on the respective websites of the Stock Exchange and the Company.

INDEPENDENT AUDITOR'S REPORT

RSM

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 52 to 119, which comprise the consolidated statement of financial position as at 31 July 2020, 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 2020, 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 ("HKSAs") 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 and lease receivables.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of the net realisable value of inventories Refer to notes 4(e) and 18 to the consolidated financial statements respectively. As at 31 July 2020, the Group's inventories amounted to approximately HK$134,106,000, net of allowance for inventories of approximately HK$411,000, which represented 24.8% of the Group's total assets. 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.	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; • Evaluating the independence, qualifications, expertise and objectivity of the external valuer; • 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; • 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; and • Discussed with the management in respect of the adequacy of the allowance made by the management based on aging analysis and individual assessments.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on trade and lease receivables	Our procedures in relation to assessing the recoverability of trade and lease receivables included:
Refer to notes 4(i), 4(r) and 19 to the consolidated financial statements respectively.	• Assessing whether trade and lease receivables had been appropriately grouped by management based on their shared credit risk characteristics;
As at 31 July 2020, the Group's trade and lease receivables amounted to approximately HK$160,014,000, net of allowance for doubtful debts of approximately HK$1,795,000 which represented 29.6% of the Group's total assets.	• Obtaining and examining the assessment report of expected credit losses of trade and lease receivables, prepared by the external valuer engaged by the Group;
The Group's trading terms with customers are ranged from 30 days to 90 days, depending on the creditworthiness of customers and the existing relationship with the Group.	• Evaluating the independence, qualifications, expertise and objectivity of the external valuer;
Loss allowances for trade and lease receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, aging of overdue trade and lease receivables, customers' repayment history and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement. We identified assessing the recoverability of trade and lease receivables as key audit matter because the assessment of the recoverability of trade and lease receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	• Testing the accuracy and completeness of the data used by the valuer to develop the historical loss rates and assessing the sufficiency, reliability and relevance of that data; • Testing the accuracy of the aging of trade and lease receivables on a sample basis to supporting documents; and • Testing the calculation of expected credit loss provisions applying the provision rates to the age categories of the trade and lease receivables outstanding at the reporting date.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION AND AUDITOR'S REPORT THEREON

The directors are responsible for the Other Information. The Other Information comprises all of the information included 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 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.

INDEPENDENT AUDITOR'S REPORT

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 HKSAs 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 HKSAs, 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.

INDEPENDENT AUDITOR'S REPORT

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, actions taken to estimate threats or safeguards applied.

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
20 October 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	7	628,798	572,049
Cost of revenue	8	(521,711)	(491,659)
Gross profit		107,087	80,390
Other income and net gains	7	3,099	1,284
Allowance for trade and lease receivables		(1,408)	(667)
Administrative and other operating expenses		(40,571)	(30,303)
Profit from operations		68,207	50,704
Finance costs	9	(5,547)	(3,929)
Profit before tax		62,660	46,775
Income tax expense	10	(11,375)	(8,224)
Profit and total comprehensive income for the year attributable to owners of the Company	11	51,285	38,551
Earnings per share			
– Basic and diluted (HK cents per share)	15	5.13	3.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16	148,282	168,509
Right-of-use assets	17	15,994	–
Deposits paid for property, plant and equipment	20	–	447
		164,276	168,956
Current assets			
Inventories	18	134,106	186,736
Trade and lease receivables	19	160,014	89,569
Prepayments, deposits and other receivables	20	12,692	31,306
Bank and cash balances	21	69,265	66,940
		376,077	374,551
Current liabilities			
Trade payables	22	8,561	8,505
Other payables and accruals	22	10,543	4,045
Contract liabilities	22	12,662	9,919
Lease liabilities	23	3,004	–
Current tax liabilities		6,519	3,180
Bank borrowings	25	72,896	134,095
		114,185	159,744
Net current assets		261,892	214,807
Total assets less current liabilities		426,168	383,763
Non-current liabilities			
Lease liabilities	23	892	–
Deferred tax liabilities	24	23,358	18,130
		24,250	18,130
NET ASSETS		401,918	365,633
Capital and reserves			
Share capital	26	10,000	10,000
Reserves		391,918	355,633
TOTAL EQUITY		401,918	365,633

Approved by the Board of Directors on 20 October 2020 and are signed on its behalf by:

Mr. Chow Luen Fat	Ms. Ng Wai Ying
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2020

	Share capital HK$'000	Share premium HK$'000 *(note 28(b)(i))*	Merger reserve HK$'000 *(note 28(b)(ii))*	Retained earnings HK$'000	Total HK$'000
At 1 August 2018	10,000	92,661	2,620	226,801	332,082
Profit and total comprehensive income for the year	–	–	–	38,551	38,551
Payment of 2019 interim dividend *(note 14)*	–	–	–	(5,000)	(5,000)
At 31 July 2019 and 1 August 2019	10,000	92,661	2,620	260,352	365,633
Profit and total comprehensive income for the year	–	–	–	51,285	51,285
Payment of 2020 special dividend *(note 14)*	–	–	–	(15,000)	(15,000)
At 31 July 2020	10,000	92,661	2,620	296,637	401,918

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2020

	Note	2020 HK$'000	2019 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		62,660	46,775
Adjustments for:			
Allowance for trade and lease receivables	19	1,408	667
Reversal of allowance for inventories, net	18	(186)	(184)
Depreciation on property, plant and equipment	16	33,946	21,799
Depreciation on right-of-use assets	17	3,271	–
(Reversal of impairment)/impairment of property, plant and equipment, net	16	(786)	659
Net gain on disposals of property, plant and equipment	7	(660)	(520)
Interest income	7	(1)	(3)
Finance costs	9	5,547	3,929
Operating profit before working capital changes		105,199	73,122
(Increase)/decrease in trade and lease receivables		(71,853)	3,191
Decrease/(increase) in inventories		60,859	(32,437)
Increase in prepayments, deposits and other receivables		(10,843)	(29,854)
Increase in trade payables		56	3,314
Increase/(decrease) in other payables and accruals		6,498	(600)
Increase/(decrease) in contract liabilities		2,743	(8,102)
Cash generated from operations		92,659	8,634
Hong Kong Profits Tax paid		(2,808)	(90)
Finance costs paid		(5,387)	(3,929)
Interest on lease liabilities		(160)	–
Net cash generated from operating activities		84,304	4,615

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2020

	Note	2020 HK$'000	2019 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	16 & 29(a)	(5,530)	(3,434)
Proceeds from disposal of property, plant and equipment		2,472	667
Interest received		1	3
Net cash used in investing activities		(3,057)	(2,764)
CASH FLOW FROM FINANCING ACTIVITIES			
Principal elements of lease payments (2019: Repayment of finance lease payables)	29(b)	(2,723)	(30)
Bank borrowings raised	29(b)	259,815	318,532
Repayment of bank borrowings	29(b)	(319,715)	(306,167)
Dividend paid	14	(15,000)	(5,000)
Net cash (used in)/generated from financing activities		(77,623)	7,335
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,299)	12,501
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,325	21,687
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		66,940	45,253
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		69,265	66,940
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		69,265	66,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

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. Its shares were initially listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 July 2017 and were transferred from GEM to the Main Board of the Stock Exchange on 6 October 2020. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands. The address of its principal place of business is D.D.111, Lot No. 117, Sheung Che Village, Pat Heung, Yuen Long, New Territories, Hong Kong.

The Company is an investment holding company. The 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. Details of the principal activities of its subsidiaries are set out on note 34 to the consolidated financial statements.

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.

2. 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 years reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the 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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact on leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 August 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 August 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 August 2019. For contracts entered into before 1 August 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.23%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 July 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment. Specifically, discount rate for certain leases of leasehold land and properties was determined on a portfolio basis;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 31 as at 31 July 2019 to the opening balance for lease liabilities recognised as at 1 August 2019:

	At 1 August 2019 HK$'000
Operating lease commitments at 31 July 2019 as disclosed in Group's consolidated financial statements	4,533
Less: Recognition exemption for lease with less than 12 months of leases term at transition	(240)
Add: Adjustments as a result of a different treatment of extension and termination option	460
Less: Total future interest expenses	(183)
Lease liabilities recognised as at 1 August 2019	4,570
Of which are:	
Current lease liabilities	2,600
Non-current lease liabilities	1,970
	4,570

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 July 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(b) Lessee accounting and transitional impact (continued)

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Effects of adoption HKFRS 16			
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	Note	Carrying amount as at 31 July 2019 HK$'000	Reclassification HK$'000	Recognition of leases HK$'000	Carrying amount as at 1 August 2019 HK$'000
Assets					
Right-of-use assets		–	12,646	4,570	17,216
Property, plant and equipment	(i)	160,474	(12,646)	–	147,828
Liabilities					
Lease liabilities		–	–	4,570	4,570

Note:

(i) Upfront payments for leasehold lands in own used lands were classified as leasehold land included in property, plant and equipment as at 31 July 2019. Upon application of HKFRS 16, the carrying amount of the leasehold land amounting to HK$12,646,000 was classified to right-of-use assets.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 August 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 29(b)). These elements are classified as financing cash outflows and operating cash out flow respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (note 29(c)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(c) Impact of the financial results and cash flows of the Group (continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 July 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expense HK$'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 HK$'000 (note 1)	Hypothetical amounts for 2020 as if under HKAS 17 HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Financial result for year ended 31 July 2020 impacted by the adoption of HKFRS 16:					
Profit from operations	68,207	2,817	(2,884)	68,140	50,704
Finance costs	(5,547)	160	–	(5,387)	(3,929)
Profits before taxation	62,660	2,977	(2,884)	62,753	46,775
Profit for the year	51,285	2,977	(2,884)	51,378	38,551

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(a) Application of new and revised HKFRSs (continued)

HKFRS 16 Leases (continued)

(c) Impact of the financial results and cash flows of the Group (continued)

	2020			2019
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating leases as if under HKAS 17 (note(s) 1 & 2) HK$'000	Hypothetical amounts for 2020 as if under HKAS 17 HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Line items in the consolidated cash flow statement for year ended 31 July 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	92,659	(2,883)	89,776	8,634
Interest element of lease rentals paid	(160)	160	–	–
Net cash generated from operating activities	84,304	(2,723)	81,581	4,615
Capital element of lease rentals paid	(2,723)	2,723	–	(30)
Net cash (used in)/generated from financing activities	(77,623)	2,723	(74,900)	7,335

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

3. ADOPTION OF NEW AND REVISED HKFRSs (continued)

(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 on 1 August 2019. 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 HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendment to HKFRS 16 COVID-19-Related Rent Concessions	1 June 2020
HKFRS 17 Insurance Contracts	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023

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

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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment including leasehold land (upon application of HKFRS 16 at 1 August 2019, the interest in leasehold land was reclassified to "Right-of-use assets", see note 3) 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 land	Over the lease term
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Policy applicable from 1 August 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

Policy applicable from 1 August 2019 (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

Policy prior to 1 August 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Leases (continued)

(i) The Group as a lessee (continued)

Policy prior to 1 August 2019 (continued)

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating 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) Contract assets and contract liabilities

Contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses ("ECL") in accordance with the policy set out in note 4(r) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(g) 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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that 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 for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL.

(k) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of heavy equipment and spare parts is recognised at a point in time when control of the goods has transferred to a customer, which generally coincides with the time when the goods picked up by logistics company designated by customer or the Group arrange for logistics company on behalf of customer at their own risk and costs or the Group has objective evidence that all criteria for acceptance have been satisfied.

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

Service income from maintenance and ancillary services is recognised at a point in time when services rendered, and the Group has present right to payment and the collection of the consideration is probable.

Interest income is recognised as it accrues using the effective interest method.

(m) 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)

(n) 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.

(o) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) 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.

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

(q) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of non-financial assets (continued)

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.

(r) Impairment of financial assets

The Group recognises a loss allowance for ECL on trade and lease receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and lease receivables. The ECL on this financial asset is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default;

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of financial assets (continued)

Significant increase in credit risk (continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter into bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and lease receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

(s) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Significant increase in credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

(b) Determining the lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation.

Generally, periods covered by an extension option in other properties leases have not been included in the lease liability because the Group could replace the assets without significant cost or business disruption. See note 24 for further information.

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. During the current financial year, no lease term has been reassessed.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty

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

(c) Income tax

The Group is subject to income taxes in Hong Kong. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$11,375,000 (2019: HK$8,224,000) of income tax was charged to profit or loss based on the estimated profit.

(d) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 July 2020 were HK$148,282,000 (2019: HK$168,509,000) and HK$15,994,000 (2019: nil) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(e) *Impairment of trade and lease receivables*

The management of the Group estimates the amount of impairment loss for ECL on trade and lease receivables and contract assets based on the credit risk of trade and lease receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 July 2020, the carrying amount of trade and lease receivables is HK$160,014,000 (net of allowance for doubtful debts of HK$1,795,000) (2019: HK$89,569,000 (net of allowance for doubtful debts of HK$3,451,000)).

(f) *Allowance for inventories*

Allowance for inventories is made based on the aging and estimated 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. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. The Group will reassess the estimates by the end of each reporting period.

As at 31 July 2020, allowance for inventories amounted to HK$411,000 (2019: HK$1,061,000) was recognised.

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"), Euro ("EUR") and United Stated 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	EUR HK$'000	USD HK$'000	Renminbi ("RMB") HK$'000	Australian Dollar ("AUD") HK$'000	Total HK$'000
At 31 July 2020							
Financial assets	231,783	125	10	2,138	–	–[i]	234,056
Financial liabilities	77,625	9,247	2,074	1,052	2,002	–	92,000
At 31 July 2019							
Financial assets	155,497	291	336	2,000	–	–[i]	158,124
Financial liabilities	139,400	2,411	1	3,416	1,417	–	146,645

[i] Represent the amount less than HK$1,000.

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 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.

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For the year ended 31 July 2020

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 2020		
JPY	4%	(305)
JPY	(4%)	305
EUR	6%	(103)
EUR	(6%)	103
At 31 July 2019		
JPY	3%	(53)
JPY	(3%)	53
EUR	6%	17
EUR	(6%)	(17)

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

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and lease receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institution with high credit-rating assigned by international credit-rating agencies, for which the Group considers to has low credit risk.

Trade and lease receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and lease receivables are due varying from the date of billing. Debtors with balances past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Trade and lease receivables (continued)

The Group measures allowance for impairment of trade and lease receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the allowance for impairment based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are based on actual loss experience over the last 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group's largest customer contributed over 20.4% (2019: 6.5%) of the turnover for the year ended 31 July 2020 and shared nearly 16.4% (2019: 0.1%) of the trade and lease receivables at the end of the reporting period. The Group has policies and procedures to monitor the collection of the trade and lease receivables to limit the exposure to non-recovery of the receivables and there is no recent history of default for the Group's largest customer.

Bank and cash balances

For bank and cash balances, the Group has assessed that they are mainly placed with banks with high credit rating with no recent history of default in relation to these financial institutions and concluded that the expected credit loss rate for these balances is immaterial.

(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.

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.

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For the year ended 31 July 2020

6. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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.

	Maturity Analysis – undiscounted cash outflows					
	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$'000	Carrying amount HK$'000
At 31 July 2020						
Trade payables	8,561	–	–	–	8,561	8,561
Other payables and accruals	10,543	–	–	–	10,543	10,543
Lease liabilities	3,069	900	–	–	3,969	3,896
Bank borrowings	73,386	–	–	–	73,386	72,896
At 31 July 2019						
Trade payables	8,505	–	–	–	8,505	8,505
Other payables and accruals	4,045	–	–	–	4,045	4,045
Bank borrowings	135,241	–	–	–	135,241	134,095

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 2020 would decrease/increase by approximately HK$609,000 (2019: HK$1,120,000), arising mainly as a result of higher/lower interest expense on borrowings.

(e) Categories of the financial instruments at 31 July

	2020 HK$'000	2019 HK$'000
Financial assets:		
Financial assets measured at amortised cost	234,056	158,124
Financial liabilities:		
Financial liabilities at amortised cost	92,000	146,645

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

7. REVENUE AND SEGMENT INFORMATION

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

	2020 HK$'000	2019 HK$'000
Revenue		
Sales of heavy equipment and spare parts	452,365	501,954
Lease of heavy equipment	170,453	65,846
Maintenance and ancillary services	5,980	4,249
	628,798	572,049
Other income and net gains		
Compensation income from suppliers	674	616
Net gain on disposals of property, plant and equipment	660	520
Interest income	1	3
Foreign exchange gain, net	1,338	–
Government grants	294	–
Others	132	145
	3,099	1,284

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 bank and cash balances and other unallocated assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

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 2020					
External revenue	452,365	170,453	5,980	–	628,798
Segment results	27,494	54,222	589	(19,645)	62,660
Depreciation of property, plant and equipment	–	32,132	–	1,814	33,946
Depreciation of right-of-use assets	896	–	–	2,375	3,271
Other material non-cash items:					
Allowance for trade and lease receivables	784	624	–	–	1,408
Reversal of allowance for inventories, net	(186)	–	–	–	(186)
Reversal of impairment on property, plant and equipment, net	–	(786)	–	–	(786)
Additions to non-current assets	2,049	95,577	–	5,530	103,156
As at 31 July 2020					
Segment assets	263,238	198,910	893	77,312	540,353
Segment liabilities	77,298	26,345	–	34,792	138,435
Year ended 31 July 2019					
External revenue	501,954	65,846	4,249	–	572,049
Segment results	33,386	26,324	417	(13,352)	46,775
Depreciation of property, plant and equipment	453	20,073	–	1,273	21,799
Other material non-cash items:					
Allowance for trade and lease receivables	12	655	–	–	667
Reversal of allowance for inventories, net	(184)	–	–	–	(184)
Impairment on property, plant and equipment	–	659	–	–	659
Additions to non-current assets	695	147,138	–	2,739	150,572
As at 31 July 2019					
Segment assets	293,957	177,226	196	72,128	543,507
Segment liabilities	151,521	2,816	–	23,537	177,874

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

	2020 HK$'000	2019 HK$'000
Profit or loss		
Total profits of reportable segments	82,305	60,127
Unallocated amounts:		
Unallocated income	867	523
Unallocated corporate expenses	(20,512)	(13,875)
Consolidated profit before tax	62,660	46,775
Assets		
Total assets of reportable segments	463,041	471,379
Unallocated corporate assets	77,312	72,128
Consolidated total assets	540,353	543,507
Liabilities		
Total liabilities of reportable segments	103,643	154,337
Unallocated corporate liabilities	34,792	23,537
Consolidated total liabilities	138,435	177,874

(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.

7. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A	128,320	N/A[1]

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

8. COST OF REVENUE

	2020 HK$'000	2019 HK$'000
Costs of heavy equipment and spare parts	382,990	431,899
Reversal of allowance for inventories, net	(186)	(184)
(Reversal of impairment)/impairment of property, plant and equipment, net	(786)	659
Declaration	24	35
Depreciation *(note 16)*	32,132	20,073
Freight and transportation	11,278	8,188
Repairs and maintenance	15,438	9,718
Staff costs	72,064	17,599
Subleasing fee	8,757	3,672
	521,711	491,659

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on borrowings		
– Wholly repayable within five years	5,387	3,929
Finance leases charges	–	–[(i)]
Interest on lease liabilities	160	–
	5,547	3,929

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

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10. INCOME TAX EXPENSE

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

	2020 HK$'000	2019 HK$'000
Current tax		
Provision for the year	6,167	352
(Over)/under-provision in prior years	(20)	87
	6,147	439
Deferred tax *(note 24)*	5,228	7,785
	11,375	8,224

The Company was incorporated in the Cayman Islands and TLMC Company Limited ("TLMC") was incorporated in the BVI. Both companies are tax exempted as no business was carried in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Under the two-tiered profits tax regime, profits tax rate for the first HK$2 million of assessable profits of qualifying corporations established in Hong Kong will be lowered to 8.25%, and profits above that amount will be subject to the tax rate of 16.5%.

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:

	2020 HK$'000	2019 HK$'000
Profit before tax	62,660	46,775
Tax at the Hong Kong Profits Tax rate of 8.25% or 16.5%	10,174	7,553
Tax effect of income that is not taxable	(55)	–[(i)]
Tax effect of expenses that are not deductible	590	653
Tax effect of temporary differences not recognised	(13)	(141)
Tax effect of temporary differences previously not recognised	(65)	–
Tax effect of utilisation of tax losses not previously recognised	–	(18)
Tax losses not recognised	764	90
(Over)/under-provision in prior years	(20)	87
Income tax expense	11,375	8,224

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

11. PROFIT FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	730	650
Allowance for trade and lease receivables	1,408	667
Reversal of allowance for inventories (included in cost of inventories), net	(186)	(184)
(Reversal of impairment)/impairment of property, plant and equipment, net	(786)	659
Cost of inventories sold	382,990	431,899
Depreciation of property, plant and equipment	33,946	21,799
Depreciation of right-of-use assets	3,271	–
Foreign exchange (gain)/loss, net	(1,338)	1,140
Net gain on disposals of property, plant and equipment	(660)	(520)
Listing expenses	2,004	1,950
Operating lease charges in respect of:		
– Director's quarters	–	2,106
– Office premises	1,312	1,896
	1,312	4,002

12. EMPLOYEE BENEFITS EXPENSE

	2020 HK$'000	2019 HK$'000
Employee benefits expense excluding directors' emoluments:		
Salaries, allowances and bonus	78,822	21,897
Retirement benefit scheme contributions	2,619	780
	81,441	22,677

The five highest paid individuals in the Group during the year included four (2019: four) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining one (2019: one) individual are set out below:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and bonus	782	641
Retirement benefit scheme contributions	18	18
	800	659

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12. EMPLOYEE BENEFITS EXPENSE (continued)

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	1	1

During the year, no emoluments were paid by the Group to the above highest paid individual 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 expenses HK$'000	Retirement benefit scheme contributions HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2020						
Executive director:						
Mr. Chow	–	5,390	–	18	455	5,863
Ms. Liu Shuk Yee	–	848	–	18	–	866
Ms. Ng Wai Ying	–	1,191	–	18	–	1,209
	–	7,429	–	54	455	7,938
Non-executive director:						
Ms. Cheng	–	600	2,014	18	–	2,632
Independent non-executive director:						
Sir Kwok Siu Man KR	180	–	–	–	–	180
Mr. Law Tze Lun	180	–	–	–	–	180
Dr. Wong Man Hin Raymond	180	–	–	–	–	180
	540	–	–	–	–	540
	540	8,029	2,014	72	455	11,110

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 expenses HK$'000	Retirement benefit scheme contributions HK$'000	Others HK$'000	Total HK$'000
Year ended 31 July 2019						
Executive director:						
Mr. Chow	–	2,620	–	18	351	2,989
Ms. Liu Shuk Yee	–	575	–	18	–	593
Ms. Ng Wai Ying	–	922	–	18	–	940
	–	4,117	–	54	351	4,522
Non-executive director:						
Ms. Cheng	–	600	2,279	18	–	2,897
Independent non-executive director:						
Sir Kwok Siu Man KR	180	–	–	–	–	180
Mr. Law Tze Lun	180	–	–	–	–	180
Dr. Wong Man Hin Raymond	180	–	–	–	–	180
	540	–	–	–	–	540
	540	4,717	2,279	72	351	7,959

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.

(b) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and controlled entities with such directors

No loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors.

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

No 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.

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14. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividend paid		
2019 interim dividend of HK0.5 cent per ordinary share	–	5,000
2020 special dividend of HK1.5 cents (2019: nil) per ordinary share	15,000	–
	15,000	5,000
Dividend proposed		
2020 proposed final dividend of HK1.0 cent (2019: nil) per ordinary share	10,000	–

The final dividend for the year ended 31 July 2020 was recommended by the Board at a Board meeting held on 20 October 2020. Such recommended final dividend is subject to the approval of the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting. This recommended final dividend is not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 July 2021 after the approval at the forthcoming annual general meeting.

At a Board meeting of the Company held on 17 February 2020, the Board declared a special dividend of HK1.5 cents per ordinary share of the Company, amounting to HK$15,000,000. The special dividend of HK$15,000,000 was paid to the Shareholders on 19 March 2020.

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:

	2020 HK$'000	2019 HK$'000
Earnings		
Profit attributable to owners of the Company	51,285	38,551
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,000,000	1,000,000

The calculation of basic earnings per share is based on the weighted average 1,000,000,000 ordinary shares in issue during the year ended 31 July 2020 (2019: 1,000,000,000 ordinary shares in issue during the year).

The diluted earnings per share is equal to the basic earnings per share as there was no dilutive potential ordinary share in issue during the years ended 31 July 2020 and 2019.

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Leasehold improvements HK$'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
Costs								
At 1 August 2018	13,135	454	82	68,704	1,394	274	4,686	88,729
Additions	–	695	–	147,138	80	121	2,538	150,572
Disposals	–	–	–	–	–	–	(1,237)	(1,237)
Reclassification to inventories	–	–	–	(44,496)	–	–	–	(44,496)
At 31 July 2019 and 1 August 2019	13,135	1,149	82	171,346	1,474	395	5,987	193,568
Reclassification due to adoption of HKFRS 16 *(note 3)*	(13,135)	–	–	–	–	–	–	(13,135)
Additions	–	–	20	95,577	22	67	5,421	101,107
Disposals	–	–	(20)	–	–	–	(2,886)	(2,906)
Reclassification to inventories	–	–	–	(88,512)	–	–	–	(88,512)
At 31 July 2020	–	1,149	82	178,411	1,496	462	8,522	190,122
Accumulated depreciation and impairment								
At 1 August 2018	36	326	31	4,651	1,224	146	3,158	9,572
Charge for the year	453	124	14	20,073	53	45	1,037	21,799
Disposals	–	–	–	–	–	–	(1,090)	(1,090)
Reclassification from inventories *(note 18)*	–	–	–	146	–	–	–	146
Impairment losses for the year	–	–	–	659	–	–	–	659
Reclassification to inventories	–	–	–	(6,027)	–	–	–	(6,027)
At 31 July 2019 and 1 August 2019	489	450	45	19,502	1,277	191	3,105	25,059
Reclassification due to adoption of HKFRS 16 *(note 3)*	(489)	–	–	–	–	–	–	(489)
Charge for the year	–	91	14	32,132	62	69	1,578	33,946
Disposals	–	–	(1)	–	–	–	(1,093)	(1,094)
Reclassification from inventories *(note 18)*	–	–	–	464	–	–	–	464
Impairment losses for the year	–	–	–	288	–	–	–	288
Reversal of impairment losses for the year	–	–	–	(1,074)	–	–	–	(1,074)
Reclassification to inventories	–	–	–	(15,260)	–	–	–	(15,260)
At 31 July 2020	–	541	58	36,052	1,339	260	3,590	41,840
Net book value								
At 31 July 2020	–	608	24	142,359	157	202	4,932	148,282
At 31 July 2019	12,646	699	37	151,844	197	204	2,882	168,509

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17. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Office premises HK$'000	Director's quarter HK$'000	Total HK$'000
At 1 August 2019 *(note 3)*	12,646	1,397	3,173	17,216
Additions	–	2,049	–	2,049
Depreciation	(454)	(913)	(1,904)	(3,271)
At 31 July 2020	12,192	2,533	1,269	15,994

	2020 HK$'000
Depreciation expenses on right-of-use assets	3,271
Interest expense on lease liabilities (included in finance cost)	160
Expenses relating to short-term lease (included in administrative and operating expenses)	1,312

Details of total cash outflow for leases is set out in note 29(c).

For both years, the Group leases several premises for its administration operations and director's quarter. Lease contracts are entered into for fixed term ranging from 2 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

18. INVENTORIES

	2020 HK$'000	2019 HK$'000
Finished goods	134,517	187,024
Goods in transit	–	773
	134,517	187,797
Allowance for inventories	(411)	(1,061)
	134,106	186,736

18. INVENTORIES (continued)

Reconciliation of allowance for inventories:

	2020 HK$'000	2019 HK$'000
At beginning of the year	1,061	1,391
Reclassification to property, plant and equipment *(note 16)*	(464)	(146)
Reversal of allowance for inventories	(706)	(443)
Allowance for the year	520	259
At end of the year	411	1,061

19. TRADE AND LEASE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade and lease receivables	161,809	93,020
Allowance for doubtful debts	(1,795)	(3,451)
	160,014	89,569

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 and lease receivables, based on the delivery date, before provision for impairment, is as follows:

	2020 HK$'000	2019 HK$'000
0 to 90 days	96,419	42,346
91 to 180 days	48,383	38,547
181 to 365 days	14,594	7,313
Over 365 days	2,413	4,814
	161,809	93,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

19. TRADE AND LEASE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade and lease receivables using a provision matrix:

As at 31 July 2020

	Expected credit loss rate	Gross carrying amount excluding specific trade and lease receivables HK$'000	Expected credit losses excluding specific trade and lease receivables HK$'000	Gross carrying amount of specific trade and lease receivables HK$'000	Loss allowance for specific trade and lease receivables HK$'000	Total loss allowance HK$'000
Rental segment						
Current	0.9886%	41,270	(408)	–	–	(408)
1 to 90 days	1.0979%	11,203	(123)	–	–	(123)
91 to 180 days	1.8378%	2,775	(51)	–	–	(51)
181 to 365 days	3.4976%	1,887	(66)	–	–	(66)
Over 365 days	21.2500%	80	(17)	334	(334)	(351)
Sub-total		57,215	(665)	334	(334)	(999)
Sales segment						
Current	0.7537%	58,375	(440)	–	–	(440)
1 to 90 days	0.7615%	17,597	(134)	–	–	(134)
91 to 180 days	0.7776%	23,662	(184)	–	–	(184)
181 to 365 days	0.8055%	4,469	(36)	–	–	(36)
Over 365 days	1.2821%	156	(2)	–	–	(2)
Sub-total		104,259	(796)	–	–	(796)
Total		161,474	(1,461)	334	(334)	(1,795)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

19. TRADE AND LEASE RECEIVABLES (continued)

As at 31 July 2019

	Expected credit loss rate	Gross carrying amount excluding specific trade and lease receivables HK$'000	Expected credit losses excluding specific trade and lease receivables HK$'000	Gross carrying amount of specific trade and lease receivables HK$'000	Loss allowance for specific trade and lease receivables HK$'000	Total loss allowance HK$'000
Rental segment						
Current	0.6355%	18,463	(118)	–	–	(118)
1 to 90 days	1.1120%	2,880	(32)	–	–	(32)
91 to 180 days	3.4276%	2,356	(80)	–	–	(80)
181 to 365 days	8.5208%	803	(69)	–	–	(69)
Over 365 days	23.2346%	1,533	(356)	–	–	(356)
Sub-total		26,035	(655)	–	–	(655)
Sales segment						
Current	0.0101%	31,241	(3)	–	–	(3)
1 to 90 days	0.0188%	24,736	(4)	–	–	(4)
91 to 180 days	0.0364%	2,738	(1)	–	–	(1)
181 to 365 days	0.0564%	5,468	(3)	–	–	(3)
Over 365 days	5.0237%	18	(1)	2,784	(2,784)	(2,785)
Sub-total		64,201	(12)	2,784	(2,784)	(2,796)
Total		90,236	(667)	2,784	(2,784)	(3,451)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

19. TRADE AND LEASE RECEIVABLES (continued)

The impairment of trade and lease receivables included the amount of specific trade and lease receivables which is considered in default due to indicators which showed that the Group was unlikely to receive the outstanding contractual amount in full.

Reconciliation of allowance for trade and lease receivables:

	2020 HK$'000	2019 HK$'000
At beginning of the year	3,451	2,784
Allowance for the year	1,408	667
Written off	(3,064)	–
At end of the year	1,795	3,451

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

	2020 HK$'000	2019 HK$'000
HKD	159,956	89,569
USD	58	–
	160,014	89,569

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments		
Goods purchased	7,809	29,904
Listing expenses	63	63
Administrative and operating expenses	43	171
	7,915	30,138
Deposits		
Deposits paid for property, plant and equipment	–	447
Rental deposits	785	785
Utility deposits	105	105
Trade deposits	3,806	233
Others	81	45
	4,777	1,615
	12,692	31,753
Non-current portion	–	447
Current portion	12,692	31,306
	12,692	31,753

21. BANK AND CASH BALANCES

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

	2020 HK$'000	2019 HK$'000
EUR	10	336
USD	1,816	1,767
HKD	67,350	64,583
JPY	89	254
AUD	–[i]	–[i]
	69,265	66,940

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

22. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Trade payables	8,561	8,505
Other payables and accruals		
Accrued staff cost	9,103	2,330
Accrued listing expenses	–	850
Accrued administrative and operating expenses	1,440	865
	10,543	4,045
Contract liabilities	12,662	9,919
	31,766	22,469

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

	2020 HK$'000	2019 HK$'000
Up to 90 days	8,301	5,400
91 to 180 days	230	1,144
Over 180 days	30	1,961
	8,561	8,505

The credit period ranges from 0 to 30 days.

22. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES (continued)

Contract liabilities represent receipt in advance from customers and the movement during the year is as below:

	2020 HK$'000	2019 HK$'000
Balance at 1 August	9,919	18,021
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the period	(9,379)	(17,806)
Increase in contract liabilities as a result of billing in advance of sales of goods	12,122	9,704
Balance at 31 July	12,662	9,919

There were no significant changes in the contract liabilities balances during the reporting period.

The carrying amounts of the Group's trade and other payables and accruals and contract liabilities are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
EUR	–	1
USD	1,052	1,127
HKD	28,712	19,924
RMB	2,002	1,417
	31,766	22,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

23. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES)

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	3,069	–	3,004	–
In the second to fifth years, inclusive	900	–	892	–
	3,969	–	3,896	–
Less: Future finance charges	(73)	–	N/A	N/A
Present value of lease obligations	3,896	–	3,896	–
Less: Amount due for settlement within 12 months (shown under current liabilities)			(892)	–
Amount due for settlement after 12 months			3,004	–

All lease liabilities payables are denominated in HKD.

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 August 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 July 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

24. DEFERRED TAX

The following are deferred tax recognised by the Group.

	Accelerated tax depreciation HK$'000	Allowance for inventories HK$'000	Tax loss HK$'000	Allowance for trade and lease receivables HK$'000	Total HK$'000
At 1 August 2018	10,574	(229)	–	–	10,345
Charge/(credit) to profit or loss for the year *(note 10)*	11,801	54	(3,960)	(110)	7,785
At 31 July 2019 and 1 August 2019	22,375	(175)	(3,960)	(110)	18,130
Charge/(credit) to profit or loss for the year *(note 10)*	1,874	107	3,433	(186)	5,228
At 31 July 2020	24,249	(68)	(527)	(296)	23,358

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

	2020 HK$'000	2019 HK$'000
Deferred tax liabilities	24,249	22,375
Deferred tax assets	(891)	(4,245)
	23,358	18,130

At the end of the reporting period the Group has unused tax losses of approximately HK$7,523,000 (2019: HK$5,113,000) available for offset against future profits. No deferred tax asset has been recognised in respect of approximately HK$7,523,000 (2019: HK$5,113,000) 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 2020

25. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Import loans	54,495	134,095
Short-term loans	18,401	–
	72,896	134,095

The bank borrowings are repayable within one year.

Note:

(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 2020					
Import loans	9,247	43,174	–	2,074	54,495
Short-term loans	–	18,401	–	–	18,401
	9,247	61,575	–	2,074	72,896
At 31 July 2019					
Import loans	2,411	129,395	2,289	–	134,095

(ii) The Group's bank borrowings of approximately HK$72,896,000 as at 31 July 2020 were secured by the corporate guarantee executed by the Company.

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

	2020	2019
Import loans	2.69% to 4.72%	2.11% to 5.01%
Short-term loans	2.66% to 4.32%	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

26. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 July 2018, 31 July 2019, 1 August 2019 and 31 July 2020	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 31 July 2018, 31 July 2019, 1 August 2019 and 31 July 2020	1,000,000,000	10,000

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 monitors capital using a gearing ratio, which is the Group's total debts (comprising finance lease payables and borrowings) over its total equity. The Group's policy is to keep the gearing ratio at a reasonable level. The Group's gearing ratios during the year was 19% (2019: 37%). The decrease in the gearing ratio of the Group is primarily due to the decrease in the balance of bank borrowings as at 31 July 2020.

Breaches in meeting the financial covenants would permit the bank to immediately call borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 July 2020 and 2019.

The externally imposed capital requirement for the Group are: (i) 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 and (ii) to meet financial covenants attached to the bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

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

(a) Statement of financial position of the Company

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment in a subsidiary		60,000	60,000
Current assets			
Prepayments		106	234
Amounts due from subsidiaries		34,902	34,817
Bank and cash balances		2,790	1,991
		37,798	37,042
Current liabilities			
Accruals		583	1,106
Net current assets		37,215	35,936
NET ASSETS		97,215	95,936
Capital and reserves			
Share capital		10,000	10,000
Reserves	27(b)	87,215	85,936
TOTAL EQUITY		97,215	95,936

Approved by the Board of Directors on 20 October 2020 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

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

(b) Reserve movement of the Company

	Share Premium HK$'000 *(note 28(b)(i))*	Merger reserve HK$'000 *(note 28(b)(ii))*	Accumulated losses HK$'000	Total HK$'000
At 1 August 2018	92,661	(380)	(8,993)	83,288
Profit and total comprehensive income for the year	–	–	7,648	7,648
Payment of 2019 interim dividend *(note 14)*	–	–	(5,000)	(5,000)
At 31 July 2019 and 1 August 2019	92,661	(380)	(6,345)	85,936
Profit and total comprehensive income for the year	–	–	16,279	16,279
Payment of 2020 special dividend *(note 14)*	–	–	(15,000)	(15,000)
At 31 July 2020	92,661	(380)	(5,066)	87,215

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

28. 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.

(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 Machinery Company Limited ("Tak Lee Hong Kong"), Econsmart Limited ("Econsmart") and Success Sky Corporation Limited ("Success Sky") acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange therefor.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

(i) Property, plant and equipment of approximately HK$95,577,000 were reclassified from inventories held for sale at the end of the reporting period.

(ii) Property, plant and equipment of approximately HK$73,398,000 were reclassified to inventories held for sale at the end of the reporting period.

(iii) Purchases of inventories of approximately HK$29,904,000 during the year ended 31 July 2020 were settled by offsetting prepayment brought forward from the year ended 31 July 2019.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 August 2019 HK$'000	Impact on initial application on HKFRS 16 HK$'000 *(note 3)*	Restated balance at 1 August 2019 HK$'000	Cash flows HK$'000	Non-cash changes: Finance costs recognised HK$'000 *(note 9)*	Non-cash changes: Additions of lease liabilities HK$'000 *(note 17)*	Foreign exchange HK$'000	31 July 2020 HK$'000
Lease liabilities *(note 23)*	–	4,570	4,570	(2,883)	160	2,049	–	3,896
Bank borrowings *(note 25)*	134,095	–	134,095	(65,287)	5,387	–	(1,299)	72,896
	134,095	4,570	138,665	(68,170)	5,547	2,049	(1,299)	76,792

	31 July 2018 HK$'000	Cash flows HK$'000	Non-cash changes: Finance costs recognised HK$'000 *(note 9)*	Non-cash changes: Foreign exchange HK$'000	1 August 2020 HK$'000
Finance lease payables	30	(30)	–[(i)]	–	–
Bank borrowings *(note 25)*	109,229	8,438	3,927	12,501	134,095
	109,259	8,408	3,927	12,501	134,095

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2020 HK$'000	2019 HK$'000
Within operating cash flows	1,472	4,002
Within financing cash flows	2,723	–
	4,195	–

These amounts relate to the following:

	2020 HK$'000	2019 HK$'000
Lease rental paid	1,312	4,002
Principal elements of lease payments	2,723	–
Interest of lease payments	160	–
	4,195	4,002

30. CONTINGENT LIABILITIES

At 31 July 2020, the Group did not have any other significant contingent liabilities.

31. OPERATING LEASE ARRANGEMENT

The Group as lessee

At 31 July 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000
Within one year	2,760
In the second to fifth years inclusive	1,773
	4,533

Operating lease payments represent rentals payable by the Group for its offices and director's quarter. Leases are negotiated for terms ranging from 2 to 3 years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

At 31 July 2020, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2020 HK$'000	2019 HK$'000
Within one year	70,235	14,173
In the second to fifth years inclusive	–	–
	70,235	14,173

The Group leases machineries to its customers under operating lease arrangements which normally run for an initial period of minimum one month, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. Rentals are fixed over the lease terms and do not include contingent rentals.

32. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

	2020 HK$'000	2019 HK$'000
Property, plant and equipment	–	1,625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2020

33. 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:

Compensation of key management personnel of the Group was as follows:

	2020 HK$'000	2019 HK$'000
Salaries, allowances and bonus	1,250	1,470
Retirement benefit scheme contributions	36	52
	1,286	1,522

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

34. INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries as at 31 July 2020 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
Creative Day Limited	13 October 2017 Hong Kong	1 ordinary share	100%	Provision of ancillary services

35. EVENTS AFTER THE REPORTING PERIOD

Since the outbreak of novel coronavirus disease 2019 (the "COVID-19") in December 2019, the prevention and control of the COVID-19 has been going on throughout Hong Kong. Subject to the development and spread of the COVID-19 subsequent to the end of the reporting period, further changes in economic conditions may have an impact on the financial results of the Group, and the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will keep continuous attention on the situation of the COVID-19 and proactively take action with an attempt to minimise its impact on the Group's financial position and operating results.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 July 2020

	For the year ended 31 July				
	2016	2017	2018	2019	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	320,490	292,793	599,819	572,049	628,798
Profit before tax	28,819	16,833	66,293	46,775	62,660
Income tax expense	(5,303)	(4,732)	(11,346)	(8,224)	(11,375)
Profit and total comprehensive income for the year	23,516	12,101	54,947	38,551	51,285

	At 31 July				
	2016	2017	2018	2019	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	204,735	363,922	482,374	543,507	540,353
Total liabilities	(41,982)	(86,787)	(150,292)	(177,874)	(138,435)
Net assets	162,753	277,135	332,082	365,633	401,918