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 2021

CONTENTS

CORPORATE INFORMATION AND KEY DATES

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

LEGAL ADVISER

As to Hong Kong Law
Loeb & Loeb LLP

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

INDEPENDENT AUDITOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

2102

COMPANY'S WEBSITE

www.tlmc-hk.com

KEY DATES

Closure of Register of Members for AGM
Thursday, 25 November 2021 to
Tuesday, 30 November 2021

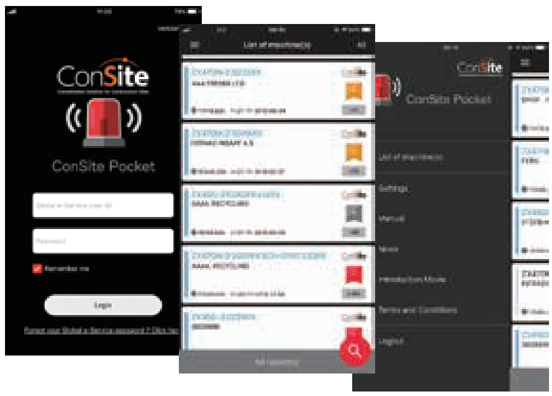
AGM date
Tuesday, 30 November 2021

Closure of Register of Members for Final Dividend
Monday, 6 December 2021 to
Wednesday, 8 December 2021

Proposed Payment of Final Dividend
Wednesday, 22 December 2021

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 attachments 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 attachments 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 2021.

The Group recorded an increase in the consolidated net profit attributable to shareholders of the Company (the "Shareholders") for the year ended 31 July 2021 by approximately 2.5% to approximately HK$52.6 million from approximately HK$51.3 million for the year ended 31 July 2020. Earnings per share for the year ended 31 July 2021 was HK5.26 cents per share, representing an increase of 2.5% compared with HK5.13 cents per share for the same period in 2020.

The Board has recommended the payment of a final dividend of HK2.0 cents per share for the year ended 31 July 2021, which is subject to Shareholders' approval at the forthcoming annual general meeting of the Company. Together with the interim dividend of HK1.5 cents per share paid, the total cash dividend for the year ended 31 July 2021 will amount to HK3.5 cents (2020: HK2.5 cents) per share.

Over the past year, coronavirus disease 2019 ("COVID-19") has had a significant impact on the people and economies worldwide. Nonetheless, the Group achieved such result amidst a challenging global backdrop and the negative economic growth in Hong Kong during the year ended 31 July 2021. In order to capture maximum business opportunities, the Group continues to provide a "one-stop shop" to earthmoving equipment users and adopts a flexible fleet management strategy in operating its leasing business. The Group's deep and strong relationship with its suppliers like Hitachi Construction Machinery Co., Ltd., Bell Equipment Company SA (Pty) Ltd and Ammann BauAusrüstung AG, and its comprehensive understanding of the local market it serves, will continue to provide the Group with the opportunities and competitive advantage to flourish in Hong Kong. During the year ended 31 July 2021, 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);
- 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); and
- Central Kowloon Route (the entire project is expected to complete in 2027).

Looking forward, the move to digitalisation and automation has never been more pressing and relevant, with technology subtly but fundamentally changing the heavy equipment industry. The Group has spearheaded technological adoption across the products it offered. For example, the Group offers *Hitachi* brand excavators installed with ConSite®, a consolidated solution service system which provides 24-hour real-time location detection and real-time overheating alarms. When the excavator is abnormal or overheat, the high frequency buzzer will warn the operator at once and the customer will receive the alert of ConSite® pocket and registered email notification. Specifically, the ConSite® OIL solution, being one of the solutions under the ConSite® system, anticipates accidents effectively by automatically detecting sudden changes in oil property and abnormality, which helps preventive maintenance, improves fuel cost and extends service life of machinery. Not only can it detect the safety problems or hazards of the machine in time, but it also predicts the wear and tear of the machine to ensure that risk control management and work can be done in time to improve the safety of the construction sites. Moreover, the Group offers *Bell* brand articulated dump trucks installed with Fleetm@tic®, a satellite based fleet management system which provides automated reports, alerts, production data, various packages to choose from and pole to pole satellite coverage to keep track of the equipment at the worksites on a continuous basis. In addition, the Group offers *Ammann* brand rollers with Ammann Compaction Expert (ACE) system, a proprietary intelligent compaction system which has automatic measurement, control and documentation system and can be supported with GPS mapping to provide data regarding the areas the roller has covered. Specifically, the ACE^{force} system helps the operator of the roller monitor indications of compaction and measures the absolute value of the bearing capacity of the compacted material so as to eliminate drum jumping. As such, the risk of over-compaction or material destruction can be minimised.

The Group strives for effective environmental management. The Group ensures full compliance of relevant laws and regulations and acknowledges the need to collaborate with different stakeholders in seeking solutions to minimise environmental impacts. Over the past few years, the Group introduced hybrid hydraulic excavators for sales and leasing that match customer needs while providing excellent energy-efficient performance. Furthermore, in August 2021, the Group leased out its first electric excavator for use in a construction site in Hong Kong. The Group will continue to seize such opportunities which well balance the needs and requirements of customers and environmental protection in the future.

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 many uncertainties. The industry which the Group operates in may be directly or indirectly affected. Nonetheless, given the number of the planned infrastructure projects mentioned in the 2021 Policy Address 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. On behalf of the Board, I would like to express my sincere 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, 21 October 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 20 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 2021 by approximately 2.5% to approximately HK$52.6 million from approximately HK$51.3 million for the year ended 31 July 2020.

The increase in net profit of the Group for the year ended 31 July 2021 was mainly attributed to (i) the growth in the leasing business of the Group, which was driven by the demand arising from the 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 Route 6 Development; and (ii) the receipt of subsidies under the Employment Support Scheme of the Hong Kong Government. The Company was not materially and adversely affected by the outbreak of the COVID-19 during the year ended 31 July 2021.

Earnings per share for the year ended 31 July 2021 was HK5.26 cents per share, representing an increase of approximately 2.5% compared with HK5.13 cents per share for the year ended 31 July 2020. The basis of calculating the earnings per share is detailed in note 15 to the consolidated financial statements.

The outbreak of the 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 many uncertainties. The industry in which the Group operates 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 2021-22 Budget Speech, the government will continue to invest in infrastructure projects. In the next few years, the average annual capital works expenditure is expected to exceed HK$100 billion and the annual total construction output will increase to around HK$300 billion. Besides, due to the progress of several large-scale infrastructure projects, such as the Three Runway System of the Hong Kong International Airport, the 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. While monitoring closely the impact of COVID-19 on the industry in which the Group operates, the Group will continue to implement its corporate strategies to preserve and strive for the growth of the Group in the long term. The Group will continue to identify suitable suppliers and products in pursuit of more dealerships or distributorships of heavy equipment, which would further boost its competitive edge in the long run.

FINANCIAL REVIEW

Revenue

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

The Group generated a majority of its revenue from its sales and leasing business. For the year ended 31 July 2021, the total revenue of the Group amounted to approximately HK$485.8 million, representing a decrease of approximately HK$143.0 million or 22.7% from approximately HK$628.8 million for the year ended 31 July 2020. Such decrease was mainly attributable to the decrease in sales of heavy equipment and spare parts of approximately HK$195.2 million, which was partially offset by an increase in leasing income of approximately HK$46.7 million and an increase in income from provision of maintenance and ancillary services by approximately HK$5.5 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$195.2 million or 43.1% from approximately HK$452.4 million for the year ended 31 July 2020 to approximately HK$257.2 million for the year ended 31 July 2021. Such decrease was mainly attributable to the decrease in sales of heavy equipment by approximately HK$202.6 million or 47.6% for the year ended 31 July 2021, which was mainly due to the increase in market demand of leasing, instead of purchasing, of heavy vehicles for the infrastructure and reclamation projects in Hong Kong. The decrease was partially offset by the increase in the sales of spare parts of approximately HK$7.2 million or 33.4%. The increase was mainly driven by the surge in the demand of the repair and after-sales services provided by the Group.

Revenue from the leasing of heavy equipment

The revenue from leasing of heavy equipment increased by approximately HK$46.7 million or 27.4% from approximately HK$170.4 million for the year ended 31 July 2020 to approximately HK$217.1 million for the year ended 31 July 2021. The increase in revenue was mainly driven by the demand arising from the 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 Route 6 Development.

Revenue from the provision of maintenance and ancillary services

The revenue from the provision of maintenance and ancillary services increased by approximately HK$5.5 million or 91.7% from approximately HK$6.0 million for the year ended 31 July 2020 to approximately HK$11.5 million for the year ended 31 July 2021. The increase in revenue was mainly attributable for the surge in demand of the repair and after-sales services provided for the Group's customers involving in the aforementioned large-scale infrastructure and reclamation projects.

Cost of revenue

The cost of revenue amounted to approximately HK$395.2 million for the year ended 31 July 2021, representing a decrease of approximately HK$126.5 million or 24.2% from approximately HK$521.7 million for the year ended 31 July 2020. 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 decrease in the cost of revenue was mainly driven by a decrease in sales of heavy equipment and spare parts by approximately by 42.0% for the year ended 31 July 2021. In addition, freight and transportation expenses decreased by approximately 39.8% for the year ended 31 July 2021, which was mainly due to the decrease in import of machineries from overseas suppliers. Nevertheless, the cost of leasing business for the year ended 31 July 2021 increased by approximately 36.3%, which was mainly attributable to an increase in staff cost of operators by approximately 36.0% and an increase in sub-leasing fee by approximately 130.1%. Such increase in sub-leasing fee was mainly attributable to unexpected demand from customers for the leasing of certain heavy vehicles which at the time the Group had no such heavy vehicles available for leasing.

Gross profit and gross profit margin

The gross profit decreased by approximately 15.4% from approximately HK$107.1 million for the year ended 31 July 2020 to approximately HK$90.6 million for the year ended 31 July 2021, with gross profit margin at approximately 18.6% for the year ended 31 July 2021 as compared with that of approximately 17.0% for the year ended 31 July 2020. The decrease in gross profit was mainly attributable to a decrease in gross profit of the sales of heavy equipment and spare parts by approximately HK$24.1 million. Despite the decrease in gross profit of the sales business, the gross profit of leasing business and the provision of maintenance and ancillary services increased by approximately HK$7.2 million and HK$0.4 million, respectively. The gross profit margin of the sales segment decreased slightly at approximately 9.9% and 8.1% for the years ended 31 July 2020 and 2021 respectively.

The overall increase in gross profit margin was mainly driven by the higher proportion of revenue contribution from leasing segment and its relatively higher gross profit margin compared with that of the sales segment. The gross profit margin for the leasing segment decreased from approximately 36.0% for the year ended 31 July 2020 to approximately 31.6% for the year ended 31 July 2021. Such decrease was mainly due to the increase in proportion of leasing on wet hire basis as well as additional staff costs incurred as a result of the longer operating hours per day of the Group's leased heavy vehicles as required by its customers.

Other income and net gains

The other income and net gains increased by approximately 200.0% from approximately HK$3.1 million for the year ended 31 July 2020 to approximately HK$9.3 million for the year ended 31 July 2021. The increase was mainly due to the receipt of subsidies under the Employment Support Scheme of the Hong Kong Government of approximately HK$7.1 million for the year ended 31 July 2021.

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

The Group has recognised allowance for trade and lease receivables of approximately HK$1.4 million under the expected credit loss model for the year ended 31 July 2020. In view of the improvement in the credit control and a decrease in expected credit losses for the year ended 31 July 2021, the Group has recognised reversal of allowance for trade and receivables of approximately HK$1.1 million for the year ended 31 July 2021.

Administrative and other operating expenses

The administrative and other operating expenses decreased by approximately 4.9% from approximately HK$40.6 million for the year ended 31 July 2020 to approximately HK$38.6 million for the year ended 31 July 2021. The decrease in administrative and other operating expenses was mainly attributable to the decrease in donation of approximately HK$0.4 million, legal and professional fees (including fees for the transfer of listing of the Company's issued shares from GEM to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of approximately HK$1.0 million, insurance expenses of approximately HK$0.6 million, operating lease charges of office premises of approximately HK$0.9 million, staff costs (including Directors' emoluments but excluding quarters expenses) of approximately HK$0.7 million, which was partially offset by a increase in depreciation expenses of right-of-use assets of approximately HK$1.7 million.

Finance costs

The finance costs decreased by approximately 65.5% from approximately HK$5.5 million for the year ended 31 July 2020 to approximately HK$1.9 million for the year ended 31 July 2021. The decrease was in line with the decrease in the average amount of bank borrowings for the year ended 31 July 2021 as compared to that of last year.

Income tax expense

The income tax expenses decreased by approximately HK$3.5 million or approximately 30.4% for the year ended 31 July 2021 compared with those of last year. The decrease was mainly due to a decrease in deferred tax liabilities of approximately HK$5.2 million charged to profit or loss as compared to those of last year.

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$1.3 million or 2.5%, from approximately HK$51.3 million for the year ended 31 July 2020 to approximately HK$52.6 million for the year ended 31 July 2021. The net profit margin increased to 10.8% as compared to 8.2% for the year ended 31 July 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has recommended the payment of a final dividend of HK2.0 cents per ordinary share for the year ended 31 July 2021 (the “Final Dividend”) to the Shareholders whose names appear on the register of members of the Company (the “Register of Members”) on Wednesday, 8 December 2021, subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company (the “2021 AGM”). The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Wednesday, 22 December 2021.

Together with the interim dividend of HK1.5 cents per ordinary share paid to the Shareholders on 27 April 2021, the total cash dividend for the year ended 31 July 2021 will be HK3.5 cents (2020: HK2.5 cents) per ordinary share.

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 2021 was approximately 6.1 times as compared to that of approximately 3.3 times as at 31 July 2020. The increase was mainly due to the decrease in bank borrowings of approximately HK$42.4 million. As at 31 July 2021, the Group had total bank and cash balances of approximately HK$109.2 million (31 July 2020: approximately HK$69.3 million). In addition, as at 31 July 2021, the Group had bank borrowings of approximately HK$30.5 million (31 July 2020: approximately HK$72.9 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 2021 and multiplied by 100%, was approximately 8.9% as at 31 July 2021 (31 July 2020: approximately 19.1%). The Group had unutilised banking facilities of approximately HK$119.5 million as at 31 July 2021 (31 July 2020: approximately HK$93.5 million). The Directors consider that the Group’s financial position is sound and strong. With available bank and cash balances and banking facilities, the Group has sufficient liquidity to satisfy its funding requirements. The Group expects to fund its future operations and expansion plans primarily with cash generated from its operation and bank borrowings.

COMMITMENTS

As at 31 July 2021, the Group’s operating lease commitments as lessee and lessor amounted to approximately HK$0.7 million (31 July 2020: approximately HK$0.4 million) and approximately HK$19.8 million (31 July 2020: approximately HK$70.2 million), respectively. As at 31 July 2021, the Group had capital commitments contracted for but not provided for of approximately HK$1.4 million (31 July 2020: nil).

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 31 July 2021, the Group did not have any charge on its assets (31 July 2020: nil).

As at 31 July 2021, the Group did not have any material contingent liabilities (31 July 2020: 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 (the "Transfer of Listing"). There has been no change in the Company's capital structure before and after the Transfer of Listing. The capital structure of the Group consists of equity attributable to the owners of the Company, which comprises issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares and inception or repayment of bank borrowings.

As at 31 July 2021, 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 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

EXPOSURE TO FOREIGN EXCHANGE RATE FLUCTUATION

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

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any significant investments or any other plans for material investments or capital assets as at 31 July 2021.

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 48, 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 23 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.

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 37, 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 19 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.

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 48, 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 26 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 49, 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 62, 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 Board and a member of both the Audit Committee and the Remuneration Committee of the Board. Sir Seaman Kwok has over 36 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. During the period from September 2013 to January 2021, Sir Seaman Kwok was the head, corporate secretarial and an executive director of Boardroom Corporate Services (HK) Limited and a director of Boardroom Share Registrars (HK) Limited. Sir Seaman Kwok is presently the sole Director of SK2 Corporate Services (HK) 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 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 Hong Kong Chartered Governance Institute ("HKCGI") (formerly The Hong Kong Institute of Chartered Secretaries), 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 HKCGI. 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 49, 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 Board and a member of both the Nomination Committee and the Remuneration Committee of the Board. Mr. Law has over 28 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 1997, 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 and Justin Allen Holdings Limited (stock code: 1425) since March 2020, which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of Gemini Investments (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 174) during the period from November 2010 to October 2021.

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 55, 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 Board and a member of both the Audit Committee and the Nomination Committee of the Board.

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 and Modern Healthcare Technology Holdings Limited (stock code: 919) since December 2009. He was also an independent non-executive director of Zhejiang United Investment Holdings Group Limited (a company listed on GEM of the Stock Exchange, stock code: 8366) during the period from July 2017 to March 2021.

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 40, 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 6 years in sales and service support management in the heavy equipment industry.

Mr. LEE Shun On (李順安) ("Mr. Lee"), aged 37, 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 7 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.

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 2021.

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 2021.

TRANSFER OF LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 December 2015.

The Company's issued ordinary shares of HK$0.01 each (the "Shares") 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

The Group's financial condition, results of operations, businesses and prospects would be affected by a number of risks and uncertainties. All the risks relating to the Group's business have been set out in the section headed "Risk Factors" in the prospectus of the Company dated 17 July 2017, the section headed "Material Risks Associated With The Group's Business" in the announcement of the Company dated 24 September 2020 and 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 they are sufficient to mitigate the risks present in the operations and financial position as efficiently and effectively as possible.

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 2021.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During the year ended 31 July 2021, 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 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51.

The Board has recommended the payment of a Final Dividend of HK2.0 cents per Share to the Shareholders whose names appear on the Register of Members on Wednesday, 8 December 2021, subject to the approval of the Shareholders at the 2021 AGM. The proposed Final Dividend, if approved, will be paid to the Shareholders on or around Wednesday, 22 December 2021.

Together with the interim dividend of HK1.5 cents per Share paid to the Shareholders on 27 April 2021, the total cash dividend for the year ended 31 July 2021 will be HK3.5 cents (2020: HK2.5 cents) per Share.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Tuesday, 30 November 2021. A notice convening the 2021 AGM will be published and despatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the 2021 AGM

The Register of Members will be closed from Thursday, 25 November 2021 to Tuesday, 30 November 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2021 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 Wednesday, 24 November 2021.

For the Final Dividend

The Register of Members will be closed from Monday, 6 December 2021 to Wednesday, 8 December 2021, 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, 3 December 2021.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 July 2021 are set out in the consolidated statement of changes in equity on page 53 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 2021 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 112 of the annual report. This summary does not form part of the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year ended 31 July 2021, the Group made charitable contributions totalling HK$74,000.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue attributable to the Group's five largest customers was 44.4% (2020: 43.7%) of the Group's total revenue for the year ended 31 July 2021 with the largest customer accounted for 15.7%. The percentage of purchases attributable to the Group's five largest suppliers was 73.4% (2020: 71.6%) of the Group's total purchases for the year ended 31 July 2021 with the largest supplier accounted for 54.9% (2020: 32.7%).

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 2021.

SUFFICIENCY OF PUBLIC FLOAT

During the year ended 31 July 2021 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 2021 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 before 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.

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 2021 and up to the date of this report. As such, no share options were outstanding as at 31 July 2021 and no share options were exercised, cancelled or lapsed under the Scheme for the period from the date of its adoption to the end of the year on 31 July 2021 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.

(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 2021 or subsisted at the end of the year ended 31 July 2021.

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 2021 amounted to approximately HK$99.3 million (31 July 2020: approximately HK$87.6 million).

DIRECTORS

During the year ended 31 July 2021 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.

Mr. Chow Luen Fat, Ms. Ng Wai Ying, Mr. Law Tze Lun and Dr. Wong Man Hin Raymond will retire by rotation and, being eligible, offer themselves for re-election at the 2021 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 stipulated 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 2021 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 2021 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 Board 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 2021, 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 the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code"), 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.

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 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER

As at 31 July 2021, 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 2021, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the year ended 31 July 2021 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 2021 or at any time during the year ended 31 July 2021.

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 Listing Rules and the GEM Listing Rules, which were respectively applicable to the Company during the relevant periods after and before the Transfer of Listing) 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 2021 or at any time during the year ended 31 July 2021.

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

During the year ended 31 July 2021, the Directors were not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective close associates (as defined under the Listing Rules and the GEM Listing Rules, which were respectively applicable to the Company during the relevant periods after and before the Transfer of Listing) that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

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 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 July 2021, the Group employed 215 (31 July 2020: 211) full-time employees. The total staff costs (including Directors' remuneration) were approximately HK$116.5 million for the year ended 31 July 2021 (2020: approximately HK$92.6 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 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.

RETIREMENT SCHEME

The Group has established a mandatory provident fund scheme (the "MPF Scheme") for all of its employees in Hong Kong. All employees in Hong Kong are required to join the MPF Scheme and the employees and their employer are each required to contribute 5% of the employee's gross earnings with a ceiling of HK$1,500 per month to the MPF Scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contribution under the MPF Scheme. The contribution charged to the consolidated statement of profit or loss and other comprehensive income represents the contribution payable to the funds by the Group.

The total costs charged to the profit or loss for the year ended 31 July 2021 is HK$3,757,000 (2020: HK$2,691,000). The Group does not forfeit any contributions on behalf of its employees who leave the scheme prior to full vesting. Accordingly, for the year ended 31 July 2021, there was no forfeited contribution available for the Group to reduce the existing level of contributions and at the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Related party transactions entered into by the Group during the year ended 31 July 2021 and the year ended 31 July 2020 are set out in note 33 to the consolidated financial statements.

The Directors consider that the 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.

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 2021 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 2021 are set out in notes 12 and 13 to the consolidated financial statements, respectively.

REPORT OF THE DIRECTORS

CHANGES IN INFORMATION OF DIRECTORS

Change in information of Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Dr. Wong Man Hin Raymond, an independent non-executive Director, resigned as an independent non-executive director, the chairman of audit committee and a member of each of remuneration committee, nomination committee and legal compliance committee of Zhejiang United Investment Holdings Group Limited (a company listed on GEM of the Stock Exchange, stock code: 8366) with effective from 9 March 2021.

Mr. Law Tze Lun, an independent non-executive Director, resigned as an independent non-executive director and ceased to be the chairman of each of the audit committee and the remuneration committee and a member of each of the nomination committee and the investment committee of Gemini Investments (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 174) with effect from 13 October 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all applicable code provisions set out in the Corporate Governance Code as contained in each of Appendix 14 to the Listing Rules and Appendix 15 to the GEM Listing Rules (respectively applicable to the Company during the relevant periods after and before the Transfer of Listing) during the year ended 31 July 2021, 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 31 to 44.

INDEPENDENT AUDITOR

RSM Hong Kong will retire at the conclusion of the 2021 AGM and be eligible to offer themselves for re-appointment. A resolution will be submitted to the 2021 AGM to be held on Tuesday, 30 November 2021 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 2021

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 2021 and up to the date of this report.

On behalf of the Board
CHOW Luen Fat
Chairman

Hong Kong, 21 October 2021

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") 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 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) during the year ended 31 July 2021, 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.

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 2021 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 2021 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.

Compliance with the Required Standard of Dealings and Model Code 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 Transactions 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 and Model Code during the year ended 31 July 2021.

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.

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 2021.

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.

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 skill 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.

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. The Nomination Committee will review the Board diversity policy on a regular basis to ensure its continued effectiveness from time to time.

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.

During the year ended 31 July 2021, the record of the trainings of the Directors is set out in the table below.

	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, webcast training 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

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 2021, four Board meetings were held. The attendance of each Director at Board meetings during the year ended 31 July 2021 is as follows:

	No. of attendance/No. of meetings
Mr. CHOW Luen Fat	4/4
Ms. LIU Shuk Yee	4/4
Ms. NG Wai Ying	4/4
Ms. CHENG Ju Wen	4/4
Sir KWOK Siu Man KR	4/4
Mr. LAW Tze Lun	4/4
Dr. WONG Man Hin Raymond	4/4

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 of 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 2021, 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 and interim 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; (v) made recommendation to the Board on the re-appointment of auditor; and (vi) 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 2021 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 2021, one Remuneration Committee meeting was held. At the meeting, 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 meeting are as follows:

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

Nomination Committee

The Nomination Committee was established on 30 June 2017 with written terms of reference in compliance with the CG Code. It comprises three INEDs, namely 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 2021, 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 2020 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

2020 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 2020 AGM held on 30 November 2020.

The attendance of each Director at the 2020 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 2021 are set out in note 13 to the consolidated financial statements. The remuneration of the Directors is 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 2021 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 2021 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 other permissible non-audit services amounted to HK$0.1 million. The non-audit services mainly included tax compliance. The Audit Committee has been notified of the nature and the service charges of non-audit services performed by external auditor and considered that such services have no adverse effect on the independence of the external auditor.

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. A discussion and analysis of the Group's performance, the explanation of the basis on which the Company generates or preserves value over the longer term and the strategy for delivering the Company's objectives are set out in the section headed "Chairman's Statement" from pages 6 to 7 and the MD&A from pages 8 to 13 in the annual report.

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 45 to 50 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group does not have an internal audit department and the Board is currently of the view that there is no immediate need to set up an internal audit function within the Group considering the Group's size, nature and complexity of operations. 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 2021. 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 internal control review covers certain business cycles and procedures undertaken by the Group, and makes recommendations for improving and strengthening the internal control system. The Board also receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

During the year ended 31 July 2021, 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. No significant area of concern that may affect the financial, operational, compliance, control and risk management of the Group has been identified. The Board considers that the Group's risk management and internal control are adequate and effective. The Board also considers that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

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"), whose biographical details are set out on page 15. Ms. Ng has sound understanding of the operations of the Board and the Group. During the year ended 31 July 2021, Ms. Ng has received no less than 15 hours of professional training in compliance with Rule 3.29 of the 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.

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 Company's branch share registrar in Hong Kong will verify the identity and shareholding(s) of the Eligible Shareholder(s). 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 significant changes in the constitutional documents of the Company during the year ended 31 July 2021.

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

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

OPINION

We have audited the consolidated financial statements of Tak Lee Machinery Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 111, which comprise the consolidated statement of financial position as at 31 July 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2021, 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.

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 2021, the carrying amount of the Group's inventories amounted to approximately HK$104,685,000, net of allowance for inventories of approximately HK$2,360,000, which represented 24.4% of the Group's net 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 inventory valuation and allowance included: • Noting any slow moving and obsolete inventories during our attendance of the physical inventory counts 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 inventories; • 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 • Challenging management's assessment of the adequacy of the allowance for inventories based on the results of our procedures.

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. As at 31 July 2021, the carrying amount of the Group's trade and lease receivables amounted to approximately HK$103,240,000, net of allowance for doubtful debts of approximately HK$477,000 which represented 24.0% of the Group's net assets. 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. 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.	• Assessing whether trade and lease receivables had been appropriately grouped by management based on their shared credit risk characteristics; • Obtaining and examining the calculations of expected credit losses of trade and lease receivables, prepared by the external valuer engaged by the Group; • Evaluating the independence, qualifications, expertise and objectivity of the external valuer; • Testing the accuracy and completeness of the data used by the external 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; • Evaluating the reasonableness of any adjustments for forward-looking estimates; 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.

OTHER INFORMATION

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 this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

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
21 October 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 July 2021

	Note	2021 HK$'000	2020 HK$'000
Revenue	7	485,797	628,798
Cost of revenue	8	(395,219)	(521,711)
Gross profit		90,578	107,087
Other income and net gains	7	9,262	3,099
Reversal of allowance/(allowance) for trade and lease receivables		1,092	(1,408)
Administrative and other operating expenses		(38,566)	(40,571)
Profit from operations		62,366	68,207
Finance costs	9	(1,865)	(5,547)
Profit before tax		60,501	62,660
Income tax expense	10	(7,917)	(11,375)
Profit and total comprehensive income for the year attributable to owners of the Company	11	52,584	51,285
Earnings per share – Basic and diluted (HK cents per share)	15	5.26	5.13

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	16	153,903	148,282
Right-of-use assets	17	19,354	15,994
Deposits paid for property, plant and equipment	20	1,230	–
		174,487	164,276
Current assets			
Inventories	18	104,685	134,106
Trade and lease receivables	19	103,240	160,014
Prepayments and deposits	20	18,563	12,692
Current tax assets		214	–
Bank and cash balances	21	109,211	69,265
		335,913	376,077
Current liabilities			
Trade payables	22	6,204	8,561
Other payables and accruals	22	7,151	10,543
Contract liabilities	22	6,275	12,662
Lease liabilities	23	4,759	3,004
Current tax liabilities		–	6,519
Bank borrowings	25	30,464	72,896
		54,853	114,185
Net current assets		281,060	261,892
Total assets less current liabilities		455,547	426,168
Non-current liabilities			
Lease liabilities	23	2,929	892
Deferred tax liabilities	24	23,116	23,358
		26,045	24,250
NET ASSETS		429,502	401,918
Capital and reserves			
Share capital	26	10,000	10,000
Reserves		419,502	391,918
TOTAL EQUITY		429,502	401,918

Approved by the Board of Directors on 21 October 2021 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 July 2021

	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 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 and 1 August 2020	10,000	92,661	2,620	296,637	401,918
Profit and total comprehensive income for the year	–	–	–	52,584	52,584
Payment of 2020 final dividend *(note 14)*	–	–	–	(10,000)	(10,000)
Payment of 2021 interim dividend *(note 14)*	–	–	–	(15,000)	(15,000)
At 31 July 2021	10,000	92,661	2,620	324,221	429,502

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		60,501	62,660
Adjustments for:			
(Reversal of allowance)/allowance for trade and lease receivables	19	(1,092)	1,408
Allowance/(reversal of allowance) for inventories, net	18	1,949	(186)
Depreciation on property, plant and equipment	16	34,697	33,946
Depreciation on right-of-use assets	17	5,002	3,271
Impairment/(reversal of impairment) on property, plant and equipment, net	16	259	(786)
Net gain on disposals of property, plant and equipment	7	(634)	(660)
Interest income	7	–[(i)]	(1)
Finance costs	9	1,865	5,547
Unrealised foreign exchange loss, net		688	–
Operating profit before working capital changes		103,235	105,199
Decrease/(increase) in trade and lease receivables		52,148	(71,853)
(Increase)/decrease in inventories		(1,709)	60,859
Increase in prepayments and deposits		(13,995)	(10,843)
Increase in trade payables		3,361	56
(Decrease)/increase in other payables and accruals		(3,392)	6,498
(Decrease)/increase in contract liabilities		(6,387)	2,743
Cash generated from operations		133,261	92,659
Hong Kong Profits Tax paid		(14,892)	(2,808)
Finance costs paid		(1,720)	(5,387)
Interest on lease liabilities		(145)	(160)
Net cash generated from operating activities		116,504	84,304

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 July 2021

	Note	2021 HK$'000	2020 HK$'000
CASH FLOW FROM INVESTING ACTIVITIES			
Deposits paid		(1,230)	–
Purchases of property, plant and equipment	16 & 29(a)	(3,761)	(5,530)
Proceeds from disposal of property, plant and equipment		738	2,472
Interest received		–[(i)]	1
Net cash used in investing activities		(4,253)	(3,057)
CASH FLOW FROM FINANCING ACTIVITIES			
Principal elements of lease payments	29(b)	(4,570)	(2,723)
Bank borrowings raised	29(b)	129,661	259,815
Repayment of bank borrowings	29(b)	(172,404)	(319,715)
Dividends paid	14	(25,000)	(15,000)
Net cash used in financing activities		(72,313)	(77,623)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		8	(1,299)
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,946	2,325
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		69,265	66,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		109,211	69,265
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances		109,211	69,265

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 July 2021

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 accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 August 2020. 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2	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
Annual Improvements to HKFRSs 2018 – 2020 Cycle	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 involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

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

(a) Consolidation

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

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

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

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

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, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment including leasehold land are held for use in the supply of goods or services, or for administrative purpose. Property, plant and equipment 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% – 37.5%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Leases

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

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)

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.

(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 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. The 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 ("ECLs") 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 recognises 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 fair value through profit and loss ("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 FVTPL 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.

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 ECLs, 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 expected credit loss ("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 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

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue and other income

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.

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 to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Impairment of financial assets

The Group recognises a loss allowance for ECLs on trade and lease receivables. The amount of ECLs 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 ECLs for trade and lease receivables. The ECLs on these financial assets are 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 ECL 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.

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 ECLs 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 ECL 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. For a lease receivable, the cash flows used for determining the ECLs is consistent with the cash flows used in measuring the lease receivables in accordance with HKFRS 16.

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.

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 17 to the consolidated financial statements 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$7,917,000 (2020: HK$11,375,000) of income tax was charged to profit or loss based on the estimated profit from operations.

(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 recoverable amounts.

The carrying amounts of property, plant and equipment and right-of-use assets as at 31 July 2021 were approximately HK$153,903,000 (2020: HK$148,282,000) and approximately HK$19,354,000 (2020: HK$15,994,000) respectively.

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 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 2021, the carrying amount of trade and lease receivables was approximately HK$103,240,000 (net of allowance for doubtful debts of approximately HK$477,000) (2020: HK$160,014,000 (net of allowance for doubtful debts of HK$1,795,000)).

(f) *Allowance for inventories*

The directors identify obsolete and slow-moving inventory items that are no longer to be sold out at the end of each reporting period. The directors estimate the net realisable value for such inventories based primarily on the latest selling prices and costs of completion and selling expenses estimated at current operation conditions. The directors carry out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items.

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.

As at 31 July 2021, the allowance for inventories was approximately HK$2,360,000 (2020: HK$411,000).

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	JPY	EUR	USD	Renminbi ("RMB")	Australian Dollar ("AUD")	Canadian Dollar ("CAD")	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 July 2021								
Financial assets	214,268	292	10	562	–	–[i]	–	215,132
Financial liabilities	33,073	8,483	10	1,743	467	–	43	43,819
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

[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 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.

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 2021		
JPY	5%	(342)
JPY	(5%)	342
At 31 July 2020		
JPY	4%	(305)
JPY	(4%)	305

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 have low credit risk.

(i) Credit risk of trade and lease receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry 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 15.7% of the turnover for the year ended 31 July 2021 (2020: 20.4%) and shared nearly 21.9% (2020: 16.4%) 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.

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 within 30 days to 90 days 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)

(i) Credit risk of trade and lease receivables (continued)

The Group measures loss allowances for 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 loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provided information about the Group's exposure to credit risk and ECLs for trade and lease receivables:

At 31 July 2021	ECL 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	0.1523	53,191	(81)	–	–	(81)
1 to 90 days	0.2414	12,844	(31)	–	–	(31)
91 to 180 days	0.7299	959	(7)	–	–	(7)
181 to 365 days	2.4024	333	(8)	–	–	(8)
Over 365 days	9.4979	–	–	104	(104)	(104)
Sub-total		67,327	(127)	104	(104)	(231)
Sales segment						
Current	0.3688	21,147	(78)	–	–	(78)
1 to 90 days	0.6640	8,584	(57)	–	–	(57)
91 to 180 days	0.9062	2,207	(20)	–	–	(20)
181 to 365 days	1.4290	3,429	(49)	–	–	(49)
Over 365 days	4.5702	919	(42)	–	–	(42)
Sub-total		36,286	(246)	–	–	(246)
Total		103,613	(373)	104	(104)	(477)

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk of trade and lease receivables (continued)

At 31 July 2020	ECL 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	20.9876	81	(17)	334	(334)	(351)
Sub-total		57,216	(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		161,475	(1,461)	334	(334)	(1,795)

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

Expected loss rates are based on actual loss experience over the past 6 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.

6. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk of trade and lease receivables (continued)

Movement in the loss allowance for trade and lease receivables during the year is as follows:

	2021 HK$'000	2020 HK$'000
At 1 August	1,795	3,451
Impairment loss recognised for the year	226	1,408
Reversal of impairment loss recognised for the year	(1,318)	–
Written off	(226)	(3,064)
At 31 July	477	1,795

(ii) Credit risk of 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 ECL 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.

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 2021						
Trade payables	6,204	–	–	–	6,204	6,204
Other payables and accruals	7,151	–	–	–	7,151	7,151
Lease liabilities	4,895	2,343	629	–	7,867	7,688
Bank borrowings	30,642	–	–	–	30,642	30,464
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

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 2021 would decrease/increase by approximately HK$254,000 (2020: HK$609,000), arising mainly as a result of higher/lower interest expense on borrowings.

(e) Categories of the financial instruments at 31 July

	2021 HK$'000	2020 HK$'000
Financial assets:		
Financial assets at amortised cost	215,132	234,056
Financial liabilities:		
Financial liabilities at amortised cost	43,819	92,000

(f) Fair values

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

7. REVENUE AND SEGMENT INFORMATION

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

	2021 HK$'000	2020 HK$'000
Revenue		
Sales of heavy equipment and spare parts	257,203	452,365
Lease of heavy equipment	217,130	170,453
Maintenance and ancillary services	11,464	5,980
	485,797	628,798
Other income and net gains		
Compensation income from suppliers	539	674
Net gain on disposals of property, plant and equipment	634	660
Interest income	–[(i)]	1
Foreign exchange gain, net	45	1,338
Government grants	7,159	294
Others	885	132
	9,262	3,099

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

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.

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 2021					
External revenue	257,203	217,130	11,464	–	485,797
Segment results	10,274	63,343	676	(13,792)	60,501
Depreciation of property, plant and equipment	–	32,251	–	2,446	34,697
Depreciation of right-of-use assets	2,758	–	–	2,244	5,002
Other material non-cash items:					
Reversal of allowance for trade and lease receivables	(416)	(676)	–	–	(1,092)
Allowance for inventories, net	1,949	–	–	–	1,949
Impairment on property, plant and equipment, net	–	259	–	–	259
Additions to non-current assets	5,097	65,024	–	7,026	77,147
As at 31 July 2021					
Segment assets	173,939	213,970	971	121,520	510,400
Segment liabilities	45,292	8,607	–	26,999	80,898
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

7. REVENUE AND SEGMENT INFORMATION (continued)

Segment information (continued)

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

	2021 HK$'000	2020 HK$'000
Profit or loss		
Total profits of reportable segments	74,293	82,305
Unallocated amounts:		
Unallocated income	823	867
Unallocated corporate expenses	(14,615)	(20,512)
Consolidated profit before tax	60,501	62,660
Assets		
Total assets of reportable segments	388,880	463,041
Unallocated corporate assets	121,520	77,312
Consolidated total assets	510,400	540,353
Liabilities		
Total liabilities of reportable segments	53,899	103,643
Unallocated corporate liabilities	26,999	34,792
Consolidated total liabilities	80,898	138,435

(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:

	2021 HK$'000	2020 HK$'000
Customer A	76,121	128,320
Customer B	67,409	N/A[1]

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

8. COST OF REVENUE

	2021 HK$'000	2020 HK$'000
Costs of heavy equipment and spare parts	221,995	382,990
Allowance/(reversal of allowance) for inventories, net	1,949	(186)
Impairment/(reversal of impairment) on property, plant and equipment, net	259	(786)
Declaration	20	24
Depreciation *(note 16)*	32,251	32,132
Freight and transportation	6,786	11,278
Repairs and maintenance	15,081	15,438
Staff costs	96,732	72,064
Subleasing rental fees	20,146	8,757
	395,219	521,711

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on borrowings		
– Wholly repayable within five years	1,720	5,387
Interest on lease liabilities	145	160
	1,865	5,547

10. INCOME TAX EXPENSE

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

	2021 HK$'000	2020 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	8,217	6,167
Over-provision in prior years	(58)	(20)
	8,159	6,147
Deferred tax *(note 24)*	(242)	5,228
	7,917	11,375

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 out in the Cayman Islands and the BVI under the tax laws of the Cayman Islands and the BVI.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25% (2020: 8.25%), and profits above that amount will be subject to the tax rate of 16.5% (2020: 16.5%). The profits of the group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a rate of 16.5% (2020: 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:

	2021 HK$'000	2020 HK$'000
Profit before tax	60,501	62,660
Tax at the Hong Kong Profits Tax rate	9,818	10,174
Tax effect of income that is not taxable	(1,183)	(55)
Tax effect of expenses that are not deductible	523	590
Tax effect of temporary differences not recognised	(5)	(13)
Tax effect of temporary differences previously not recognised	38	(65)
Tax losses recognised	(1,216)	–
Tax losses not recognised	–	764
Over-provision in prior years	(58)	(20)
Income tax expense	7,917	11,375

11. PROFIT FOR THE YEAR

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

	2021 HK$'000	2020 HK$'000
Auditor's remuneration	720	730
(Reversal of allowance)/allowance for trade and lease receivables, net	(1,092)	1,408
Allowance/(reversal of allowance) for inventories (included in cost of inventories sold), net	1,949	(186)
Impairment/(reversal of impairment) on property, plant and equipment, net	259	(786)
Cost of inventories sold	221,995	382,990
Depreciation of property, plant and equipment	34,697	33,946
Depreciation of right-of-use assets	5,002	3,271
Foreign exchange gain, net	(45)	(1,338)
Net gain on disposals of property, plant and equipment	(634)	(660)
Listing expenses	2,339	2,004
Operating lease charges in respect of:		
– Office premises	410	1,312
– Machineries	20,146	8,757
	20,556	10,069
Staff costs (including Directors' remuneration)		
– Fees, salaries, allowances and bonus and others	112,749	89,860
– Retirement benefit scheme contributions	3,757	2,691
	116,506	92,551

12. EMPLOYEE BENEFITS EXPENSE

	2021 HK$'000	2020 HK$'000
Employee benefits expense excluding directors' emoluments:		
Salaries, allowances and bonus	104,713	78,822
Retirement benefit scheme contributions	3,685	2,619
	108,398	81,441

The five highest paid individuals in the Group during the year included four (2020: four) directors whose emoluments are reflected in the analysis presented in note 13. The emoluments of the remaining one (2020: one) individual are set out below:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and bonus	777	782
Retirement benefit scheme contributions	18	18
	795	800

12. EMPLOYEE BENEFITS EXPENSE (continued)

The emoluments fell within the following band:

	Number of individuals 2021	2020
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.

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 per employee and vest fully with employees when contributed into the MPF Scheme. For the year ended 31 July 2021, there was no forfeited contribution available for the Group to reduce the existing level of contributions and at the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

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 2021						
Executive director:						
Mr. Chow	–	2,640	–	18	463	3,121
Ms. Liu Shuk Yee	–	775	–	18	–	793
Ms. Ng Wai Ying	–	1,089	–	18	–	1,107
	–	4,504	–	54	463	5,021
Non-executive director:						
Ms. Cheng	–	600	1,929	18	–	2,547
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	5,104	1,929	72	463	8,108

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 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

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 for the years ended 31 July 2021 and 2020.

(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 (2020: Nil).

(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 (2020: Nil).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 July 2021, no consideration was provided to or receivable by third parties for making available director's services (2020: Nil).

14. DIVIDENDS

	2021 HK$'000	2020 HK$'000
Dividend paid		
2020 special dividend of HK1.5 cents per ordinary share	–	15,000
2020 final dividend of HK1.0 cent per ordinary share	10,000	–
2021 interim dividend of HK1.5 cents (2020: Nil) per ordinary share	15,000	–
	25,000	15,000
Dividend proposed		
2021 proposed final dividend of HK2.0 cents (2020: HK1.0 cents) per ordinary share *(note)*	20,000	10,000

Note:

The final dividend for the year ended 31 July 2021 was recommended by the Board at a Board meeting held on 21 October 2021 (for the year ended 31 July 2020: 20 October 2020). Such recommended final dividend is subject to the approval of the shareholders of the Company 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 2022 (2020: 31 July 2021) after the approval at the forthcoming annual general meeting.

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:

	2021 HK$'000	2020 HK$'000
Earnings		
Profit attributable to owners of the Company	52,584	51,285
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 2021 (2020: 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 2021 and 2020.

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 2019	13,135	1,149	82	171,346	1,474	395	5,987	193,568
Reclassification due to adoption of HKFRS 16	(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 and 1 August 2020	–	1,149	82	178,411	1,496	462	8,522	190,122
Additions	–	945	47	65,024	10	214	2,545	68,785
Disposals	–	–	–	–	–	–	(1,321)	(1,321)
Reclassification to inventories	–	–	–	(40,285)	–	–	–	(40,285)
At 31 July 2021	–	2,094	129	203,150	1,506	676	9,746	217,301

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	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
Accumulated depreciation and impairment								
At 1 August 2019	489	450	45	19,502	1,277	191	3,105	25,059
Reclassification due to adoption of HKFRS 16	(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 and 1 August 2020	–	541	58	36,052	1,339	260	3,590	41,840
Charge for the year	–	167	17	32,251	54	88	2,120	34,697
Disposals	–	–	–	–	–	–	(1,217)	(1,217)
Impairment losses for the year	–	–	–	569	–	–	–	569
Reversal of impairment losses for the year	–	–	–	(310)	–	–	–	(310)
Reclassification to inventories	–	–	–	(12,181)	–	–	–	(12,181)
At 31 July 2021	–	708	75	56,381	1,393	348	4,493	63,398
Net book value								
At 31 July 2021	–	1,386	54	146,769	113	328	5,253	153,903
At 31 July 2020	–	608	24	142,359	157	202	4,932	148,282

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 upon initial adoption of HKFRS 16	12,646	1,397	3,173	17,216
Additions	–	2,049	–	2,049
Depreciation	(454)	(913)	(1,904)	(3,271)
At 31 July 2020 and 1 August 2020	12,192	2,533	1,269	15,994
Additions	–	5,097	3,265	8,362
Depreciation	(453)	(2,736)	(1,813)	(5,002)
At 31 July 2021	11,739	4,894	2,721	19,354

Lease liabilities of HK$7,688,000 (2020: HK$3,896,000) are recognised with related right-of-use assets of HK$7,615,000 as at 31 July 2021 (2020: HK$3,802,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets	5,002	3,271
Interest expense on lease liabilities (included in finance costs)	145	160
Expenses relating to short-term lease (included in cost of revenue)	20,146	8,757
Expenses relating to short-term lease (included in administrative and operating expenses)	410	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

	2021 HK$'000	2020 HK$'000
Finished goods	107,045	134,517
Allowance for inventories	(2,360)	(411)
	104,685	134,106

Reconciliation of allowance for inventories:

	2021 HK$'000	2020 HK$'000
At beginning of the year	411	1,061
Reclassification to property, plant and equipment *(note 16)*	–	(464)
Reversal of allowance for inventories *(note)*	(311)	(706)
Allowance for the year	2,260	520
At end of the year	2,360	411

Note: During the year ended 31 July 2021, certain impaired inventories were sold at gross profit and therefore, a reversal of allowance for inventories approximately HK$311,000 (2020: HK$706,000) have been recognised and included in cost of inventories sold.

19. TRADE AND LEASE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade and lease receivables	103,717	161,809
Less: Impairment loss	(477)	(1,795)
	103,240	160,014

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

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

	2021 HK$'000	2020 HK$'000
0 to 90 days	68,477	95,569
91 to 180 days	22,241	47,989
181 to 365 days	4,171	14,431
Over 365 days	8,351	2,025
	103,240	160,014

The Group does not hold any collateral as security or other credit enhancements over these balances.

The Group applied simplified approach to provide the ECL prescribed by HKFRS 9. The impairment methodology is set out in note 4 to the consolidated financial statements.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

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

	2021 HK$'000	2020 HK$'000
HKD	103,240	159,956
USD	–	58
	103,240	160,014

20. PREPAYMENTS AND DEPOSITS

	2021 HK$'000	2020 HK$'000
Prepayments		
Goods purchased	15,394	7,809
Listing expenses	–	63
Administrative and operating expenses	488	43
	15,882	7,915
Deposits		
Deposits paid for property, plant and equipment	1,230	–
Rental deposits	908	785
Utility deposits	111	105
Trade deposits	1,503	3,806
Others	159	81
	3,911	4,777
	19,793	12,692
Analysed as:		
Non-current portion	1,230	–
Current portion	18,563	12,692
	19,793	12,692

21. BANK AND CASH BALANCES

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

	2021 HK$'000	2020 HK$'000
HKD	108,714	67,350
USD	230	1,816
JPY	257	89
EUR	10	10
AUD	–[(i)]	–[(i)]
	109,211	69,265

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

22. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Trade payables	6,204	8,561
Other payables and accruals		
Accrued staff costs	5,991	9,103
Accrued administrative and operating expenses	1,160	1,440
	7,151	10,543
Contract liabilities	6,275	12,662
	19,630	31,766

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

	2021 HK$'000	2020 HK$'000
0 to 30 days	5,309	5,739
31 to 90 days	831	2,562
91 to 180 days	64	230
Over 180 days	–	30
	6,204	8,561

The credit period ranges normally from 0 to 70 days.

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

Contract liabilities represent receipt in advance from customers and the significant changes in the contract liabilities balances during the reporting period are as follow:

	2021 HK$'000	2020 HK$'000
Balance at 1 August	12,662	9,919
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	(10,947)	(9,379)
Increase in contract liabilities as a result of billing in advance of sales of goods	4,560	12,122
Balance at 31 July	6,275	12,662

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

	2021 HK$'000	2020 HK$'000
HKD	17,367	28,712
USD	1,743	1,052
RMB	467	2,002
EUR	10	–
CAD	43	–
	19,630	31,766

23. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	4,895	3,069	4,759	3,004
More than one year, but not exceeding two years	2,343	900	2,310	892
More than two years, but not more than five years	629	–	619	–
	7,867	3,969	7,688	3,896
Less: Future finance charges	(179)	(73)	N/A	N/A
Present value of lease obligations	7,688	3,896	7,688	3,896
Less: Amount due for settlement within 12 months (shown under current liabilities)			(4,759)	(3,004)
Amount due for settlement after 12 months			2,929	892

All lease liabilities are denominated in HKD.

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 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 and 1 August 2020	24,249	(68)	(527)	(296)	23,358
Charge/(credit) to profit or loss for the year *(note 10)*	772	(321)	(910)	217	(242)
At 31 July 2021	25,021	(389)	(1,437)	(79)	23,116

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

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	25,021	24,249
Deferred tax assets	(1,905)	(891)
	23,116	23,358

At the end of the reporting period the Group has unused tax losses of approximately HK$8,707,000 (2020: HK$10,716,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$8,707,000 (2020: HK$3,193,000) of such losses. No deferred tax asset has been recognised in respect of the remaining of approximately HK$Nil (2020: HK$7,523,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

25. BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Import loans	30,464	54,495
Short-term loans	–	18,401
	30,464	72,896

The bank borrowings are repayable within one year.

Note:

(i) The carrying amount of the Group's bank borrowings is denominated in the following currencies:

	JPY HK$'000	HKD HK$'000	EUR HK$'000	Total HK$'000
At 31 July 2021				
Import loans	8,483	21,981	–	30,464
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

(ii) The Group's bank borrowings of approximately HK$30,464,000 as at 31 July 2021 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:

	2021	2020
Import loans	2.40% to 4.25%	2.69% to 4.72%
Short-term loans	N/A	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.

26. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each		
As at 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	10,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
As at 1 August 2019, 31 July 2020, 1 August 2020 and 31 July 2021	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 lease liabilities 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 8.9% (2020: 19.1%). 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 2021.

Breaches of the financial covenants would permit the bank to immediately call borrowings. There have been no breaches of the financial covenants of any interest-bearing borrowing for the years ended 31 July 2021 and 2020.

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 comply with financial covenants attached to the bank borrowings.

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

(a) Statement of financial position of the Company

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment in a subsidiary		60,000	60,000
Deferred tax assets		1,393	–
		61,393	60,000
Current assets			
Prepayments		115	106
Amounts due from subsidiaries		43,757	34,902
Bank and cash balances		3,898	2,790
		47,770	37,798
Current liabilities			
Accruals		277	583
Net current assets		47,493	37,215
NET ASSETS		108,886	97,215
Capital and reserves			
Share capital		10,000	10,000
Reserves	27(b)	98,886	87,215
TOTAL EQUITY		108,886	97,215

Approved by the Board of Directors on 21 October 2021 and are signed on its behalf by:

Mr. Chow Luen Fat
Director

Ms. Ng Wai Ying
Director

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))*	Retained earnings/ (Accumulated losses) HK$'000	Total HK$'000
At 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 and 1 August 2020	92,661	(380)	(5,066)	87,215
Profit and total comprehensive income for the year	–	–	36,671	36,671
Payment of 2020 final dividend *(note 14)*	–	–	(10,000)	(10,000)
Payment of 2021 interim dividend *(note 14)*	–	–	(15,000)	(15,000)
At 31 July 2021	92,661	(380)	6,605	98,886

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$65,024,000 were reclassified from inventories held for sale at the end of the reporting period.

(ii) Property, plant and equipment of approximately HK$28,104,000 were reclassified to inventories held for sale at the end of the reporting period.

(iii) Purchases of inventories of approximately HK$7,739,000 during the year ended 31 July 2021 were settled by offsetting prepayment brought forward from the year ended 31 July 2020.

(iv) Certain trade and lease receivables of approximately HK$5,718,000 were offsetted against trade payables at the end of the reporting period on the ground that the relevant parties are both the customers and suppliers of the Group which legal right to offsetting is enforceable.

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 2020 HK$'000	Cash flows HK$'000	Non-cash changes: Finance costs recognised HK$'000 *(note 9)*	Non-cash changes: Additions of right-of-use assets HK$'000 *(note 17)*	Non-cash changes: Foreign exchange HK$'000	31 July 2021 HK$'000
Lease liabilities *(note 23)*	3,896	(4,715)	145	8,362	–	7,688
Bank borrowings *(note 25)*	72,896	(44,463)	1,720	–	311	30,464
	76,792	(49,178)	1,865	8,362	311	38,152

	1 August 2019 HK$'000	Impact on initial application on HKFRS 16 HK$'000	Restated balance at 1 August 2019 HK$'000	Cash flows HK$'000	Non-cash changes: Finance costs recognised HK$'000 *(note 9)*	Non-cash changes: Additions of right-of-use assets HK$'000 *(note 17)*	Non-cash changes: 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

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:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	20,701	10,229
Within financing cash flows	4,570	2,723
	25,271	12,952

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	20,556	10,069
Principal elements of lease payments	4,570	2,723
Interest of lease payments	145	160
	25,271	12,952

30. CONTINGENT LIABILITIES

As at 31 July 2021, the Group did not have any significant contingent liabilities.

31. OPERATING LEASE ARRANGEMENT

The Group as lessee

During the year ended 31 July 2021, the Group entered into short-term leases for a office premise and machineries in Hong Kong. As at 31 July 2021, the outstanding lease commitments relating to the office premise and machineries are approximately HK$732,000 (2020: HK$427,000).

The Group as lessor

At 31 July 2021, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2021 HK$'000	2020 HK$'000
Within one year	19,808	70,235

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

The Group had the following capital commitments at the end of the reporting period:

	2021 HK$'000	2020 HK$'000
Contracted, but not provided for:		
Purchases of property, plant and equipment	1,405	–

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:

	2021 HK$'000	2020 HK$'000
Salaries, allowances and bonus	1,216	1,250
Retirement benefit scheme contributions	36	36
	1,252	1,286

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

34. INVESTMENTS IN SUBSIDIARIES

Particulars of subsidiaries as at 31 July 2021 are as follows:

Name of subsidiaries	Date and place of incorporation and operation/kind of legal entity	Particulars of issued share capital	Equity interests attributable to the Group	Principal activities
Directly held by the Company				
TLMC	4 January 2016 BVI/Limited liability company	USD1	100%	Investment holding
Indirectly held by the Company				
Tak Lee Hong Kong	5 March 2001 Hong Kong/Limited liability company	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/Limited liability company	2 ordinary shares	100%	Provision of motor vehicles services
Success Sky	7 October 2010 Hong Kong/Limited liability company	2 ordinary shares	100%	Provision of maintenance and ancillary services
Creative Day Limited	13 October 2017 Hong Kong/Limited liability company	1 ordinary share	100%	Provision of ancillary services
T-Smart Logistics Limited	19 November 2020 Hong Kong/Limited liability company	10,000 ordinary shares	100%	Dormant

35. EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period up to the date of this report.

FIVE YEARS FINANCIAL SUMMARY

For the year ended 31 July 2021

	For the year ended 31 July				
	2017	2018	2019	2020	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
Revenue	292,793	599,819	572,049	628,798	485,797
Profit before tax	16,833	66,293	46,775	62,660	60,501
Income tax expense	(4,732)	(11,346)	(8,224)	(11,375)	(7,917)
Profit and total comprehensive income for the year	12,101	54,947	38,551	51,285	52,584

	At 31 July				
	2017	2018	2019	2020	2021
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	363,922	482,374	543,507	540,353	510,400
Total liabilities	(86,787)	(150,292)	(177,874)	(138,435)	(80,898)
Net assets	277,135	332,082	365,633	401,918	429,502