

TARGET

Intelligence Report

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TAK LEE MACHINERY HOLDINGS LTD: THE 2022 RESULTS OF THIS COMPANY COULD HARDLY BE CONSIDERED A PLEASURE

Tak Lee Machinery Holdings Ltd (德利機械控股有限公司) (Code: 2102, Main Board, The Stock Exchange of Hongkong Ltd) suffered its worst Results of the past five Financial Years, ended July 31, 2022.

Mr Chow Luen Fat (周聯發), the Chairman of the Board of Directors of the Company, in his Annual Statement to Shareholders, dated Wednesday, October 19, 2022, stated at Paragraph One:

‘... 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 2022.’

Chairman Chow Luen Fat, then, at Paragraph Two of his Annual Statement, proceeded to inform shareholders of the not-so-pleasant events that took place, during the Company’s Financial Year, ended July 31, 2022:

‘The Group recorded a consolidated net profit attributable to shareholders of the Company (the “Shareholders”) for the year ended 31 July 2022 of approximately HK\$45.1 million, representing a decrease of 14.3% compared with approximately HK\$52.6 million reported for the year ended 31 July 2021. Earnings per share for the year ended 31 July 2022 was HK4.51 cents per share, representing a decrease of 14.3% compared with HK5.26 cents per share for the same period in 2021.’

The business of Tak Lee Machinery Holdings Ltd is given at Page Eight of the 2022 Annual Report, under the heading, ‘**OVERVIEW**’, as follows:

‘The Group is a heavy equipment sales and leasing service provider in Hong Kong with over 21 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.'

At Page 53 of the 2022 Annual Report, the '**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**' was presented:

	For The Financial Year, Ended July 31		Percentage Increase/(Decrease)*
	2022	2021	
	All Figures Are Denominated In \$HK'000 (except where otherwise stipulated)		
Revenue	395,182	485,797	(18.65)
Gross Profit	87,030	90,578	(3.92)
Gross Profit Margin*	22.02 percent	18.65 percent	18.07
Profit From Operations	54,231	62,366	(13.04)
Profit Before Taxation	53,315	60,501	(11.88)
Profit And Total Comprehensive Income For The Year Attributable To Shareholders Of The Company	45,062	52,584	(14.30)
Earnings Per Share	4.51 cents	5.26 cents	(14.26)

* These are **TARGET**'s calculations.

On the following Page 54, under the heading, '**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**', it was shown, at the bottom of the Page, that '**TOTAL EQUITY**' (Shareholders' Funds), in respect of the 2022 Financial Year, stood at \$HK444,564,000.00, representing an increase, Year-On-Year, of about 3.51 percent.

At Page 29 of the 2022 Annual Report of Tak Lee Machinery Holdings Ltd, it was indicated that, as at July 31, 2022, the workforce of the Company, numbered 180 employees (July 31, 2021: 215 employees).

Staff costs with regard to the 2022 Financial Year, were approximately \$HK100 million (2021: Approximately \$HK116.50 million).

Reverting to Pages Eight and Nine of the 2022 Annual Report – '**MANAGEMENT DISCUSSION AND ANALYSIS**' – under the subhead, '**BUSINESS REVIEW AND OUTLOOK**' – one was apprised of the following intelligence:

'The decrease in net profit of the Group for the year ended 31 July 2022 was mainly attributed to (i) the decrease in the non-recurring government grants by approximately HK\$3.0 million under the Employment Support Scheme of Hong Kong; and (ii) the decrease in the revenue of leasing business as the main reclamation and pavement works of the third runway of the Three Runway System of the Hong Kong International Airport (the "Three Runway System") have been substantially completed during the year ended 31 July 2022. Nevertheless, the Group has continued to provide various types of heavy equipment for the associated projects such as the expansion of Terminal 2, the development of a new T2 Concourse, the Automated People Mover and the Baggage Handling System of the

Three Runway System, as well as the Route 6 development and the Tung Chung New Town Extension development projects during the year ended 31 July 2022 and up to the date of the annual report. For the year ended 31 July 2022, the supply chain and the operations of the Group were not materially and adversely affected by the coronavirus disease 2019 (COVID-19) pandemic...

‘To capture business opportunities, the Group is committed to the diversification of its supplier base and product offering. For instance, with the growing demand of construction site safety products, the Group has introduced new technological products recently. In March 2022, the Group became the sole dealer of Xwatch Safety Solutions Ltd. (a United Kingdom brand) for the supply of machine safety and control systems for height and slew control, rated capacity index and stability of equipment. Furthermore, the Group also became the authorised dealer of VIA brand (a Taiwan brand) for the supply of Mobile360 heavy equipment safety system.’

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