

TAT HONG EQUIPMENT SERVICE CO., LTD.

達豐設備服務有限公司\*

*(incorporated in the Cayman Islands with limited liability)*

Stock Code : 02153

ANNUAL REPORT

2022



\* For identification purpose only

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## Corporate Information

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

Mr. Yau Kok San (*Chief Executive Officer*)

Mr. Lin Han-wei (*Chief Operating Officer*)

#### NON-EXECUTIVE DIRECTORS

Mr. Ng San Tiong (*Chairman*)

Mr. Sun Zhaolin

Mr. Liu Xin

Mr. Guo Jinjun (Appointed on 30 March 2022)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Kum Tho

Dr. Huang Chao-Jen

Ms. Pan I-Shan

#### AUDIT COMMITTEE

Ms. Pan I-Shan (*Chairlady*)

Mr. Wan Kum Tho

Dr. Huang Chao-Jen

#### REMUNERATION COMMITTEE

Mr. Wan Kum Tho (*Chairman*)

Ms. Pan I-Shan

Dr. Huang Chao-Jen

#### NOMINATION COMMITTEE

Mr. Ng San Tiong (*Chairman*)

Mr. Wan Kum Tho

Dr. Huang Chao-Jen

#### COMPANY SECRETARY

Ms. Chan Tsz Yu (Resigned on 29 June 2022)

Ms. Oh Sim Yee (Appointed on 29 June 2022)

#### AUTHORISED REPRESENTATIVES

Mr. Yau Kok San

Ms. Chan Tsz Yu (Resigned on 29 June 2022)

Ms. Oh Sim Yee (Appointed on 29 June 2022)

#### COMPLIANCE ADVISER

##### Fortune Financial Capital Limited

Units 4102-6, 41/F., COSCO Tower

183 Queen's Road Central

Hong Kong

#### LEGAL ADVISER

##### TC & Co., Solicitors, Hong Kong

22/F., Tai Tung Building

8 Fleming Road

Wanchai, Hong Kong

#### AUDITOR

##### PricewaterhouseCoopers

*Certified Public Accountants and*

*Registered Public Interest Entity Auditor*

22/F., Prince's Building

Central, Hong Kong

#### REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

#### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F., Dah Sing Financial Centre

248 Queen's Road East

Wanchai, Hong Kong

#### PRINCIPAL PLACE OF BUSINESS IN CHINA

Room 601, Building 8, PortMix

No. 2377 Shenkun Road

Minhang District

Shanghai, PRC

#### CAYMAN ISLANDS 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

## Corporate Information

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

#### **Tricor Investor Services Limited**

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

*Effective from 15 August 2022*

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PRINCIPAL BANKERS

#### **United Overseas Bank (China) Limited**

No. 116/128 Yincheng Road  
Pudong New Area, Shanghai, PRC

#### **OCBC Wing Hang Bank (China) Limited**

OCBC Bank Tower  
No. 1155 Yuanshen Road  
Pudong New District  
Shanghai, PRC

#### **Standard Chartered Bank (Singapore) Limited**

8 Marina Boulevard, #27-01  
Marina Bay Financial Centre  
Singapore 018981

#### **Bank of China (Hong Kong) Limited**

13/F, Metroplaza Tower 1  
223 Hing Fong Road  
Kwai Chung, N.T.  
Hong Kong

#### **China Merchants Bank**

No. 762, Tianshan Road  
Shanghai, PRC

### COMPANY'S WEBSITE

[www.tathongchina.com](http://www.tathongchina.com)

### STOCK CODE

2153

## Chairman's Statement

Dear Shareholders,

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of Tat Hong Equipment Service Co., Ltd. (the “**Company**”) and its subsidiaries (collectively, the “**Group**”), I would like to present to you this annual report of the Group for the year ended 31 March 2022.

### FINANCIAL PERFORMANCE

Over the past year, the COVID-19 pandemic situation continued to intermittently reoccur with the virus variant spreading rapidly. Although vaccination rates began to increase in various countries and major economies (which include the PRC) began to recover and economic activities are gradually normalizing due to the prevention and control of the pandemic, the global public health, economy and employment are still greatly adversely affected by the COVID-19 pandemic.

Despite the severe operating environment, we had actively responded to the challenges and adjusted our strategies in a timely manner to build up our own strength against the adversity. The revenue of the Group increased from approximately RMB793.0 million for the year ended 31 March 2021 to approximately RMB867.0 for the year ended 31 March 2022, an increase of approximately 9.3%. The increase in revenue was mainly attributable to the increase in the number of self-owned tower cranes, the majority of which had been working on-site and generating revenue. Our total tonne metres (TM) in use increased from 2,491,629 for the year ended 31 March 2021 to 3,112,084 for the year ended 31 March 2022.

The Group's gross profit decreased from approximately RMB273.3 million for the year ended 31 March 2021 to approximately RMB234.1 million for the year ended 31 March 2022, representing a decrease of approximately 14.3% primarily due to the increase in labour subcontracting costs and the increase in depreciation of property, plant and equipment. Correspondingly, the net profit for the year decreased from approximately RMB101.2 million for the year ended 31 March 2021 to approximately RMB47.6 million for the year ended 31 March 2022, representing a decrease of approximately 52.9%. Such reduction is primarily due to the impact of accounting treatment (a non-cash adjustment) on the value of the shares awarded to the top management of the Group in March 2022 under the share award scheme contributed by the shares of the Company owned by the controlling shareholders of the Company (as defined in the Listing Rules), i.e. no new shares have been issued by the Company pursuant to the share award scheme, for rewarding the contribution of the senior management made to the Group.

For the year ended 31 March 2022, gross profit margin and net profit margin of the Group was approximately 27.0% and 5.5%, respectively.

As at 31 March 2022, we had 288 projects in progress with a total outstanding contract value of approximately RMB569.0 million and 42 projects on hand with total expected contract value of approximately RMB102.0 million. Of these projects, we expect to complete contract work worth approximately RMB626.0 million by the year ending 31 March 2023. The management therefore considers the Group is capable of maintaining an overall strong financial position.

### PROSPECTS

At present, the global economic environment is full of uncertainties, such as the resurgence of the COVID-19 pandemic, geopolitical tensions, global supply chain blockages, inflation and fluctuation in currency exchange rates. The Company still has to pay attention to the pace of recovery of different economies and continue to keep a close eye on the global economic trend and market situation so as to capture business opportunities, lower operation risks and in turn achieve better operating results.

Despite the challenges from the COVID-19 pandemic, the Group will continue to be guided by the core values of “Virtue (厚德), Safety (安全) and Excellence (卓越)”, and to make every effort to continuously enhance its manufacturing and processing capabilities for tower cranes, fulfilling the needs of different customers, and continue to strive being a leading tower crane service provider in the PRC. Looking ahead, we aim to focus on medium and large size tower cranes to meet the growing needs for prefabricated construction, and to establish a standardized post market service eco-system for tower cranes so as to provide a sustainable foundation for a green, safe and environmental friendly tower crane service industry value chain.

### APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their hard work and contribution. My thanks also go to our Shareholders, investors and business partners for their trust and unwavering support.

**NG San Tiong**

*Chairman*

Hong Kong/PRC, 29 June 2022

## Management Discussion and Analysis

### BUSINESS REVIEW

We are the first foreign-owned tower crane service provider established in the People's Republic of China ("PRC"). Since 2007, we have established ourselves as a tower crane service provider for one-stop tower crane solution services which cover consultation, technical design, commissioning, construction to after-sales services primarily to Chinese Special-tier and Tier-1 EPC contractors. We mainly engage in engineering, procurement and construction projects ("EPC projects") in infrastructure, clean energy, traditional energy, general construction, commercial building and residential building mainly in the PRC.

During the year ended 31 March 2022, the Group expanded its business by purchasing additional tower cranes and relevant ancillary parts and components to meet the increasing customers' demand. As at the date of this report, we managed a total of 1,180 tower cranes, which have been equipped to cater for our customers' specialised range of EPC projects throughout the PRC. The Group is committed to continually improve the operational and management efficiency through its digital platform "iSmartCon", a smartphone application for managing contract compliance and safety, equipment maintenance, equipment allocation, equipment selection, supporting services and data analysis.

We are well-recognised in the industry and have built a strong reputation in our awareness to workers' safety, service quality and technical strength. We possess a Class A Certificate for Erection, Modification and Maintenance of Special Type Equipment (特種設備安裝改造維修許可證(起重機械A級)) granted by the Jiangsu Quality and Technology Supervisory Bureau (江蘇省質量技術監督局) and a Construction Enterprise Qualification Certificate (建築業企業資質證書) and was awarded the grade of Class One Lifting Equipment Erection and Project Outsourcing (起重設備安裝工程專業承包一級) issued by the Jiangsu Housing and Urban Rural Construction Department (江蘇省住房和城鄉建設廳) for conducting tower crane service business in the PRC. We currently possess 77 registered patents for utility models and inventions relating to tower cranes.

### OPERATING RESULTS

The Group recorded a net profit of approximately RMB47.6 million for the year ended 31 March 2022 representing a decrease of approximately 52.9% as compared with the net profit of approximately RMB101.2 million for the year ended 31 March 2021. The decrease was primarily due to the impact of the non-cash adjustment on the value of the shares awarded to the senior management of the Group in March 2022 under the share award scheme contributed by the shares of the Company owned by the controlling shareholders of the Company.

### FUTURE DEVELOPMENT

Although vaccination rates began to increase in various countries and major economies (which include PRC) began to recover and economic activities are gradually normalizing due to the prevention and control of the pandemic, the global public health, economy and employment are still adversely affected by the COVID-19 pandemic. With the continued occurrence of the COVID-19 pandemic situation across the world, the global market still faces many uncertainties under the COVID-19 pandemic.

Going forward, the Group, in conjunction with the effective implementation of the PRC prevention and control policies, will continue to pay attention to the situation of the COVID-19 pandemic to ensure the safety of the employees and to mitigate its negative impact on the financial position and operating results of the Group. The Group will also continue to keep a close watch on the global economic trend and market situations to capture business opportunities and lower operation risks, and in turn achieve better operating results. Looking ahead, we aim to focus on medium and large size tower cranes to meet the growing needs for prefabricated construction, and to establish a standardized post market service eco-system for tower cranes so as to provide a sustainable foundation for a green, safe and environmental friendly tower crane service industry value chain.

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased to RMB867.0 million for the year ended 31 March 2022, representing a 9.3% increase from that for the year ended 31 March 2021, primarily due to the increase in the number of self-owned and rented tower cranes, the majority of which had been working on-site and generating revenue. Our total tonne metre (TM) in use increased from 2,491,629 for the year ended 31 March 2021 to 3,112,084 for the year ended 31 March 2022.

### Cost of Sales

Our cost of sales increased by approximately 21.8% from RMB519.7 million for the year ended 31 March 2021 to RMB632.9 million for the year ended 31 March 2022. Such increase was primarily attributable to (i) the increase in our labour subcontracting costs from approximately RMB209.9 million for the year ended 31 March 2021 to RMB266.4 million for the year ended 31 March 2022, primarily due to the increase in the average number of outsource labour from 2,779 for the year end 31 March 2021 to 3,290 for the year ended 31 March 2022, and (ii) the increase in the depreciation of property, plant and equipment due to the increasing number of self-owned tower cranes. Our self-owned number of tower cranes increased from 877 for the year ended 31 March 2021 to 1,037 for the year ended 31 March 2022.

### Gross Profit and Gross Profit Margin

Our overall gross profit decreased by approximately 14.3% from RMB273.3 million for the year ended 31 March 2021 to RMB234.1 million for the year ended 31 March 2022. Our overall gross profit margin decreased from approximately 34.5% for the year ended 31 March 2021 to approximately 27.0% for the year ended 31 March 2022. The decrease was primarily due to the combined effects of the abovementioned.

### Other income

Our other income for the year ended 31 March 2022 amounted to approximately RMB14.7 million, representing an increase of approximately RMB9.4 million or 179.7% as compared to that of approximately RMB5.2 million for the year ended 31 March 2021. The other income mainly comprised of value-add tax refund and government grants. The increase was primarily due to the receipt of a subsidy amounting to RMB1.0 million for the listing on the Stock Exchange of Hong Kong Limited ("**Stock Exchange**") from the Minhang District Economic Commission, PRC and the receipt of financial incentives amounting to RMB5.8 million from Jintan Economic Zone, Jiangsu Province, PRC.

### Research and development expenses

Our research and development expenses increased slightly from approximately RMB24.3 million for the year ended 31 March 2021 to approximately RMB25.4 million for the year ended 31 March 2022. This was mainly due to the increase in development work on patents, which could generate probable future economic benefit.

### Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 6.7% from approximately RMB18.8 million for the year ended 31 March 2021 to approximately RMB17.5 million for the year ended 31 March 2022. Such decrease was primarily due to the decrease in travel expenses.

### General and administrative expenses

Our general and administrative expenses for the year ended 31 March 2022 amounted to approximately RMB129.2 million, representing an increase of approximately RMB41.8 million or 47.8% as compared to that of approximately RMB87.4 million for the year ended 31 March 2021. The general and administrative expenses mainly comprised of share award schemes, professional expenses, salaries costs and depreciation expenses. Such increase was primarily attributable to the offering of share award schemes by the controlling shareholder of Company to the top management amounting to approximately RMB29.1 million in March 2022 and the absence of one-off waiver in Social Security payments as part of COVID-19 pandemic measures during the year ended 31 March 2022.

## Management Discussion and Analysis

### Finance costs

Our finance costs for the year ended 31 March 2022 amounted to approximately RMB21.1 million, representing an increase of approximately RMB7.1 million or 51.0% as compared to that of approximately RMB14.0 million for the year ended 31 March 2021. The increase was primarily due to recognition of the RMB5.0 million net exchange gains which arose from foreign currency borrowings for the year ended 31 March 2022 as compared to the RMB12.9 million net exchange gains which arose from foreign currency borrowings for the year ended 31 March 2021.

### Income Tax Expense

Our income tax credit for the year ended 31 March 2022 amounted to approximately RMB1.8 million, as compared to income tax expense of approximately RMB34.7 million for the year ended 31 March 2021. Such decrease was primarily due to the decrease in operating profits and adjustment of deferred tax liabilities as subsidiary Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd. had been notified on its success in the high-tech certification qualification for the year ended 31 March 2022.

### Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 52.9% from approximately RMB101.2 million for the year ended 31 March 2021 to approximately RMB47.6 million for the year ended 31 March 2022. The decrease was primarily due to the combined effects of the above mentioned.

### Working capital structure

The Group's net current assets amounted to RMB451.9 million as at 31 March 2022, representing a decrease of RMB257.0 million from 31 March 2021, which was mainly due to the increase in trade payables.

### Liquidity and financial management

We require a substantial amount of capital to fund our purchases of tower cranes, working capital requirements and general business expansion. Our operation and growth have primarily been financed by cash generated from our operations.

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad-hoc events. As at 31 March 2022, the cash and cash equivalents plus financial assets at fair value through profit or loss were RMB169.9 million, representing a decreased of RMB180.5 million when compared with those for the year ended 31 March 2021. As of 31 March 2022, the Group had bank borrowings of approximately RMB642.0 million (31 March 2021: approximately RMB482.6 million). Based on the scheduled repayment terms set out in the loan agreements, approximately RMB167.1 million of the bank borrowings are repayable within 1 year.

The Group's current ratio was 1.61 times as at 31 March 2022, compared to that of 2.64 times as at 31 March 2021. The decrease in current ratio was mainly attributable to the increase in trade payables as aforementioned.

The gearing ratio of the Group, which represents the total sum of borrowings, loans from a related party and lease liabilities, divided by total equity, was 44.6% as at 31 March 2022 compared to that of 35.5% as at 31 March 2021.

### Pledge of assets

As at 31 March 2022, the Group pledged machineries with carrying amount of approximately RMB689.2 million (2021: RMB976.6 million) for the lease liabilities and bank borrowings of the Group to secure banking facilities granted to the Group.

As at 31 March 2022, the land-use rights with carrying value of approximately RMB12.8 million (2021: nil) were secured for the bank borrowings of the Group.

### Lease Liabilities

The lease liabilities decreased by 12.6% from approximately RMB67.2 million as at 31 March 2021 to approximately RMB58.7 million as at 31 March 2022. This is mainly due to the decrease in right-of-use assets. The decrease in right-of-use assets was mainly attributable to the decrease of rental equipment from outside of the Group.



## Management Discussion and Analysis

### CAPITAL COMMITMENT

As at 31 March 2022, the contracted but not delivered equipment was RMB14.3 million, representing an increase of RMB13.9 million from that as at 31 March 2021.

### CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no contingent liabilities.

### FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates in the PRC with RMB as the functional currency. The Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2022.

### SIGNIFICANT INVESTMENT HELD

Save for the short-term fixed deposits (balance as at 31 March 2021: approximately RMB200.8 million) which had matured on 10 May 2021 and 6 August 2021, the Group did not hold any significant investment during the year ended 31 March 2022.

### USE OF PROCEEDS FROM THE LISTING

On 13 January 2021, the shares of the Company were listed on the Stock Exchange. The shares were issued to the public at HKD1.73 per share, and the Group received net proceeds of approximately HKD485.5 million from the global offering of its shares (the "Global Offering") after deducting the underwriting fees and commissions and other expenses incurred by the Group in connection with the Global Offering. Up to 31 March 2022, the amount of net proceeds which remain unutilised amounted to approximately HKD149.0 million. Set out below are details of the planned allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as of the date of this report:

Usage	%	Planned	Utilised net	Unutilised net	Expected timeline of full utilization of the balance
		allocation of the net proceeds	proceeds up to 31 March 2022	proceeds as at 31 March 2022	
		HKD'000	HKD'000	HKD'000	
Purchase tower cranes	63.0%	305,865	202,991	102,874	31 March 2023
Purchase equipment and to conduct foundation work for our Yangzhou Refurbishment Centre	5.3%	25,732	20,705	5,027	31 March 2023
Hire additional personnel equipped with special skills to improve our service capacity and competitiveness	3.2%	15,536	8,203	7,333	31 March 2023
Repay part of our bank borrowings	18.5%	89,817	89,817	—	Fully utilised
Working capital and other general corporate purposes	10.0%	48,550	14,757	33,793	31 March 2023
	100%	485,500	336,473	149,027	

## Management Discussion and Analysis

As at the date of this report, the Group does not anticipate any change to the plan as to the use of listing proceeds as set out in the prospectus of the Company dated 30 December 2020.

### DIVIDEND

The Board recommended a final dividend (the “**Final Dividend**”) of HKD1.6 cents per share (HKD3 cents per share for the year ended 31 March 2021), amounting to a total dividend of approximately HKD18,669,940 for the year ended 31 March 2022 (approximately HKD35,006,000 for the year ended 31 March 2021). The Final Dividend is subject to approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company to be convened and held on Wednesday, 28 September 2022 (the “**2022 AGM**”), and is expected to be paid on or around Friday, 4 November 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 14 October 2022. These consolidated financial statements do not reflect this dividend proposed.

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year ended 31 March 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 31 March 2022, the Group did not have any immediate plans for material investments and capital assets.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed around 1,207 employees who include the directors of the Company and those of subsidiaries (2021: 1,081 employees). The total employee benefit expenses for the year ended 31 March 2022 was RMB108.0 million, an increase of 33.4% when compared with that for the year ended 31 March 2021. Such increase was mainly attributable to the increase in the number of employees and salary increment due to the expansion of the Company.

The Group offers its employees competitive remuneration packages based on their performance, qualifications, competence displayed and market comparable to attract, retain and motivate high quality individuals. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses. The Group also provides trainings to its staff. Remuneration packages are reviewed regularly to reflect the market practice and employees’ performance.

Employees of the Group in the PRC are entitled to participate in various government supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group’s liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

### IMPACT OF THE COVID-19 OUTBREAK

The outbreak of the COVID-19 pandemic since early 2020 and the continued recurrence across the PRC, have invariably adversely affected our business operations for the year ended 31 March 2022. However, our revenue continues to increase due to our high quality services, trust of our customers, our digital management platform and our refurbishment center. We have slowed down our procurement of new equipment so as to maintain sufficient cashflow to cope with market uncertainties caused by the COVID-19 pandemic.

## Management Discussion and Analysis

### EVENTS AFTER THE REPORTING PERIOD

On 13 April 2022, Jiangsu Hengxingmao Financial Leasing Co., Ltd., an indirect wholly-owned subsidiary of the Company, entered into purchase agreements with Zoomlion Heavy Industry Science and Technology Co., Ltd (“**Zoomlion**”) for the purchase of machines at a price of approximately RMB52.2 million (equivalent to approximately HKD64.2 million). The machines to be purchased under the agreements are for the Group’s expansion in its tower crane solution services business.

Taking into account the Group’s series of purchases of machines of a similar nature as the aforesaid purchases that had been completed within a 12-month period before the date of the purchase agreements with Zoomlion, as the highest applicable percentage ratio as defined in the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”) of the aforesaid purchases with Zoomlion, in aggregate with previous purchases as required under Rule 14.22 of the Listing Rules, exceeds 5% but is less than 25%, the aforesaid purchases constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but exempt from shareholders’ approval requirements under Chapter 14 of the Listing Rules. Please refer to the announcement dated 13 April 2022 published by the Company for details of the discloseable transaction.

## Biographical Details of Directors and Senior Management

### DIRECTORS

#### Executive Directors

**Mr. YAU Kok San (邱國燊) (“Mr. Yau”)**, aged 59, was appointed as an Executive Director and Chief Executive Officer of the Company on 28 November 2019. He is primarily responsible for devising the overall business development strategies and overseeing the day-to-day management and operations of the Group.

Mr. Yau joined our Group since June 2007. He is also a director for all subsidiaries of the Group, namely Tat Hong Belt Road Pte. Ltd. (“**Tat Hong Belt Road**”), Jiangsu Hengxingmao Financial Leasing Co., Ltd.\* (江蘇恒興茂融資租賃有限公司) (“**Jiangsu Hengxingmao**”), Shanghai Tat Hong Construction Services Co., Ltd.\* (上海達豐建築服務有限公司) (“**Shanghai Tat Hong**”), Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.\* (江蘇眾建達豐機械工程有限公司) (formerly known as 江蘇中建達豐機械工程有限公司) (“**Zhongjian Tat Hong**”), Tat Hong Zhaomao Investment Group Co., Ltd.\* (達豐兆茂投資集團有限公司) (“**Tat Hong Zhaomao**”), China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.\* (中核華興達豐機械工程有限公司) (“**Huaxing Tat Hong**”), Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd.\* (常州達豐兆茂機械工程有限公司) (“**Changzhou Tat Hong**”), Chongqing Tat Hong Machinery Construction Co., Ltd.\* (重慶大峰建築工程機械有限公司) (“**Chongqing Tat Hong**”) and Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd.\* (江蘇融合達豐機械工程有限公司) (“**Ronghe Tat Hong**”).

Mr. Yau has more than 14 years of experience in the tower crane solution service industry and has been operating the business of the Group since June 2007. Prior to joining the Group, he has over 20 years of experience in the areas of engineering, corporate finance and venture capitalism. He began his career by joining Chartered Industries of Singapore Pte. Ltd. in 1988 and left as a principal engineer in 1996. Subsequently, he was employed by Vertex Management (II) Pte. Ltd., a venture capital company based in Singapore, from 1996 to 2000, responsible for managing investment portfolios for various Chinese companies and left as an investment manager. From 2000 to 2003, Mr. Yau joined AdXplorer Pte. Ltd., serving as senior vice president as his last position and was responsible for devising company strategies in raising venture capitals for client companies across business platform. Thereafter from 2003 to 2007, Mr. Yau operated his own business specialising in corporate finance and consultancy services for small-sized companies. From July 2016 to November 2019, he had also served as chief executive officer at Tat Hong Equipment (China) Pte. Ltd. (“**Tat Hong China**”), one of the controlling shareholders of the Company.

Mr. Yau obtained a Technician Diploma in Mechanical Engineering from the Singapore Polytechnic in April 1982 and a Bachelor’s Degree of Engineering (Mechanical) (1st Class Honours) from the National University of Singapore in June 1987. He also obtained a Master’s Degree of Business Administration from the National University of Singapore in July 1996.

**Mr. LIN Han-wei (林翰威) (“Mr. Lin”)**, aged 58, was appointed as an Executive Director and Chief Operating Officer of the Company on 28 November 2019. He is primarily responsible for the establishment and optimisation of the day-to-day operations, in particular, overseeing the operational processes, resources allocation and cross-departmental cooperation of the Group.

Mr. Lin joined the Group in July 2009 as chief operating officer. He is also a director of six subsidiaries of the Group, namely Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Chongqing Tat Hong, Ronghe Tat Hong and Tat Hong Belt Road.

Mr. Lin has more than 23 years in corporate management and operations. Since 1997, he worked at Goyoyo Information Ltd. (悠游訊息有限公司) and left his position as the chief executive officer. He was responsible for devising business development plans, and raising fund for the operation of the company. In June 2003, he joined QilinSoft (China) Ltd. (麒麟遠創(中國)有限公司), responsible for a number of managerial duties including team building and business operation, and left in June 2008 as vice president and general manager of Beijing R&D centre. From June 2009 to November 2019, he served at Tat Hong China, one of the controlling shareholders of the Group, as assistant general manager (seconded to Shanghai Tat Hong). Since July 2021, Mr. Lin has been appointed a non-executive director of Hornqshiu Holding Co., Ltd., a company listed on the Main Board of the Taiwan Stock Exchange (stock code: 2243).

Mr. Lin obtained a Master’s Degree of laws from the University of Pennsylvania in United States in 1990.

## Biographical Details of Directors and Senior Management

### Non-executive Directors

**Mr. NG San Tiong (黃山忠) (“Mr. Ng”)**, aged 69, is one of the controlling shareholders of the Company and was appointed as a Non-executive Director and Chairman of the Board on 28 November 2019. He is also the Chairman of the Nomination Committee of the Company. He is responsible for providing strategic advice to the Group, and developing and implementing business strategy; monitoring the performance of the senior management team, especially with regard to the progress made towards achieving the business strategy and objectives of the Group from time to time.

Mr. Ng has more than 44 years of experience in the engineering and tower crane solution service industry in Singapore. In 1976, he joined JTC Corporation (formerly known as Jurong Town Corporation) (“**JTC**”), a Singapore Government agency responsible for the development of industrial infrastructure, as a civil engineer. After leaving his employment in JTC in 1978, Mr. Ng jointly founded Tat Hong Holdings Ltd, one of the controlling shareholders of the Group, in January 1979 and has been the managing director and group chief executive officer of the company since October 1991.

In 2002, Mr. Ng was awarded the Public Service Medal (Pingat Bakti Masyarakat) at the National Day Awards by the Singapore Government. In 2007, he was named Businessman of the Year at the Singapore Business Awards by the Business Times and DHL Express. In 2009, he received the Best Chief Executive Officer Award of the Singapore Corporate Awards from the Institute of Singapore Chartered Accountants, the Singapore Institute of Directors and the Business Times. In 2010, he was awarded the Public Service Star (Bintang Bakti Masyarakat) of the National Day Awards by the Singapore Government. Mr. Ng was elected as the President of the 59th and 60th Councils of the Singapore Chinese Chamber of Commerce & Industry in 2017 and 2019 respectively.

Mr. Ng joined our Group since April 2006. He is also a director of seven subsidiaries of the Group, namely Changzhou Tat Hong, Huaxing Tat Hong, Jiangsu Hengxingmao, Shanghai Tat Hong, Tat Hong Zhaomao, Zhongjian Tat Hong and Tat Hong Belt Road. He also serves as a director of Dayang (Shanghai) Commercial Consultancy Company Limited\* (達陽(上海)商務諮詢有限公司) and a supervisor of Poxue (Shanghai) Management Consultancy Company Limited\* (珀學(上海)管理諮詢有限公司). Apart from his position in the Group, Mr. Ng is also a director of Tat Hong Heavy Equipment (Pte.) Ltd., Tat Hong Plant Leasing Pte. Ltd., Leadpoint Pte. Ltd., Tutt Bryant Group Limited, Tutt Bryant Hire Pty. Ltd., BT Equipment Pty. Ltd., Tat Hong Plant Hire Sdn. Bhd., THAB Development Sdn. Bhd., THAB PTP Sdn. Bhd. and Tat Hong Heavy Equipment (Hong Kong) Limited.

Mr. Ng is the deputy chairman and a non-executive director of Yongmao Holdings Limited, a company listed on the Main Board of Singapore Exchange Limited (stock code: BKX) (“**Yongmao**”) which principally engages in the manufacture of tower cranes since June 2007. Since August 2021, he has been appointed as a non-executive director of CSC Holdings Limited, a company listed on the Main Board of Singapore Exchange Limited (stock code: C06). From April 2015 to September 2021, he was an alternate director of Intraco Limited, a company listed on the Main Board of Singapore Exchange Limited (stock code: I06) which principally engages in trading and investment management.

Mr. Ng obtained a Bachelor’s Degree of Science (Honours) from the Loughborough University of Technology in July 1976.

**Mr. SUN Zhaolin (孫兆林) (“Mr. Sun”)**, aged 66, was appointed as a Non-executive Director of the Company on 28 November 2019. He is responsible for providing strategic advice to the Group, developing and implementing business strategy. He joined our Group since April 2006. Mr. Sun is also a director of six subsidiaries of the Group, namely Tat Hong Zhaomao, Huaxing Tat Hong, Shanghai Tat Hong, Zhongjian Tat Hong, Jiangsu Hengxingmao and Changzhou Tat Hong.

Mr. Sun has more than 24 years of experience in the field of construction machinery manufacturing. He has founded and led various companies in the crane manufacturing industry. Mr. Sun is the chairman and executive director of Yongmao since February 2008. He has been a director of Fushun Yongmao Engineering Machinery Co., Ltd.\* (撫順永茂工程機械有限公司) since 1996; Fushun Yongmao Industry and Trade Co., Ltd.\* (撫順市永茂工貿發展有限公司) since 1997; Fushun Yongmao Industry Group Co., Ltd.\* (撫順永茂實業集團有限公司) since 1997; and Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd.\* (北京永茂建工機械製造有限公司) since June 2006.

## Biographical Details of Directors and Senior Management

In July 2005, Mr. Sun received the Liaoning Province Outstanding Business Entrepreneur Award\* (遼寧省優秀民營企業家) from the Liaoning Province Small-Medium Enterprise Association\* (遼寧省中小企業聯合會). In April 2006, Mr. Sun received the Model Labour Award\* (遼寧省勞動模範) for Year 2005 from Liaoning Province People's Government\* (遼寧省人民政府). In February 2013, he was awarded the Outstanding Contribution Award for the Year 2012\* (2012年度支持商會建設突出貢獻獎) by Fushun Municipal Association of Industry and Commerce\* (撫順市工商業聯合會) and Fushun Municipal General Chamber of Commerce\* (撫順市總商會). In April 2014, he was named Fushun Municipal Outstanding Entrepreneur\* (撫順市優秀企業家稱號) by Fushun City Federation of Trade Unions\* (撫順市總工會). Mr. Sun was also a Member of the 8th, 9th and 10th Liaoning Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議遼寧省委員會).

**Mr. LIU Xin (劉鑫) ("Mr. Liu")**, aged 36, was appointed as a Non-executive Director of the Company on 1 April 2021. He is responsible for providing strategic advice in operation of a digital machinery management platform.

Mr. Liu has more than 13 years of experience in the tower crane industry in the PRC, including experiences in the development and manufacture of tower cranes, and marketing, logistics and management of tower crane business. In July 2008, Mr. Liu commenced his employment with Zoomlion Heavy Industry Science and Technology Co., Ltd.\* (中聯重科股份有限公司) ("**Zoomlion**") (Hong Kong Stock Exchange, Stock Code: 1157; Shenzhen Stock Exchange, Stock Code: 000157), a company established in the PRC which mainly engages in the research, development, manufacturing and sale of construction machinery and agricultural machinery. He first started as a welding technician of Zoomlion and was subsequently promoted to different positions at the Assembly Department, the Production Department, the Marketing Department, the Logistics Department and the Management Department. In October 2018, he joined Zoomlion Construction and Crane Machinery Co., Limited\* (中聯重科建築起重機械有限責任公司), a subsidiary of Zoomlion, and is currently the assistant to general manager of the company, mainly responsible for strategic planning, production and sales planning, logistics management and digital operations of the company. During his career in the tower crane industry in the PRC, Mr. Liu participated in the development and manufacture of various tower crane models, and he was also responsible for the development and operation of a digital machinery management platform which mainly served to provide information about the conditions, working status, and repair and maintenance of machinery and equipment.

Mr. Liu obtained a Bachelor's Degree in Welding Technology and Engineering from the Harbin Institute of Technology in July 2008.

**Mr. Guo Jinjun (郭金君) ("Mr. Guo")**, aged 50, was appointed as a Non-executive Director of the Company on 30 March 2022. He is responsible for providing strategic advice in contract management and bidding management.

Mr. Guo has more than 29 years of experience in the nuclear engineering industry. Since 1993, Mr. Guo has worked at China Nuclear Industry Huaxing Construction Company Ltd\* (中國核工業華興建設有限公司) ("**China Nuclear Industry**"), being one of the shareholders of the Company, which is a subsidiary of China Nuclear Engineering and Construction Corporation Limited\* (中國核工業建設股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 601611) that is principally engaged in construction, nuclear and system engineering projects. He was first appointed as a Statistician in the Production Section and was promoted to the positions of Budget Officer and Deputy Manager of the Commerce Department for Qinshan Phase III Project of China Nuclear Industry. From September 2006 to June 2014, he served as the Functional Deputy Manager, Custom Center Manager and Deputy Chief Economist of the Nuclear Power Division. In June 2014, Mr. Guo served as a Deputy Manager at the Nuclear Power Department at China Nuclear Industry and was later promoted as the Deputy Manager of both the Bidding Department and the Nuclear Power Engineering Department in 2016. He is currently the General Manager of the Bidding Management Department and the Deputy Manager of the Nuclear Power Engineering Department at China Nuclear Industry, where he is mainly responsible for central procurement of subcontract material services as well as bidding of industry and finance projects of the company.

## Biographical Details of Directors and Senior Management

Mr. Guo graduated with a College Degree in Economic Management from East China University of Technology\* (華東地質學院) in 1993. Subsequently, he obtained a Bachelor's Degree from the Dalian University of Technology in Construction Engineering Management\* (大連理工大學建築工程管理) in 2011, and obtained a Master's Degree from the Jiangsu University in Industrial Engineering\* (江蘇大學工業工程) in the same year.

### Independent Non-executive Directors

**Ms. PAN I-Shan (潘宜珊) (“Ms. Pan”)**, aged 45, was appointed as an Independent Non-executive Director of the Company on 15 December 2020. She also serves as the Chairlady of the Audit Committee and a member of the Remuneration Committee of the Company. She is responsible for providing independent advice to the Board and advising on corporate accounting and financial matters.

Since March 2010, Ms. Pan was certified as an accountant by the Financial Supervisory Commission of Taiwan. Ms. Pan is a certified public accountant admitted by the Taipei Certified Public Accountant Association since March 2014. She also holds a lecturer certificate issued by the Ministry of Education of Taiwan in April 2013.

Ms. Pan has more than 22 years of experience in audit and accounting. She was a senior auditor at PricewaterhouseCoopers Taiwan from September 1999 to February 2004 and was promoted to manager from August 2006 to August 2008, where she had gained experience and knowledge in business audit services. Subsequently from November 2009 to November 2011, Ms. Pan worked in KEDP CPAs Firm (Taiwan) as a certified public accountant, where she was responsible for business audit services and advising foreign enterprises and individuals on the setting-up and registration of bookkeeping system. From August 2012 to July 2013, Ms. Pan joined the Ching Kuo Institute of Management and Health as adjunct lecturer in accounting courses, and served as a chief accounting officer in the said institute from August 2012 to December 2013. At present, Ms. Pan is a partner of Onething CPAs Firm in Taipei which she founded in January 2015. Her practices include accounting advisory in relation to corporate finance, financial and general management between Taiwan and the PRC, business audit services, setting-up and registration of bookkeeping system, and other bookkeeping and consultation services.

Ms. Pan obtained a Bachelor's Degree in Accounting from the Chung Yuan Christian University in Taiwan in June 1998 and a Master's Degree of Business Administration in Accounting from the Fu Jen Catholic University in Taiwan in June 2006.

**Mr. WAN Kum Tho (尹金濤) (“Mr. Wan”)**, aged 55, was appointed as an Independent Non-executive Director of the Company on 15 December 2020. He also serves as the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nomination Committee of the Company. He is responsible for providing independent advice to the Board and advising on corporate governance matters.

## Biographical Details of Directors and Senior Management

Mr. Wan has more than 25 years of experience in the venture capital and private equity investment industry. From March 1996 to December 2004, he worked at Vertex Management (II) Pte. Ltd., a Singapore-headquartered venture capital company as an investment manager and served his last position as vice president. During his time with the company, he worked in offices in Singapore and the United States, primarily responsible for sourcing, evaluating and negotiating investment opportunities, analysing, monitoring and exiting from various portfolio companies, advising portfolio companies on development of business strategies, etc. He also helped to establish the company's activities in Israel. From January 2005 to May 2008, he worked at EEMS Asia Pte. Ltd. as vice president of finance and administration. He participated in strategic deliberations of the company and was responsible for all strategic decisions for the financial operation in Singapore and the overall operation of the company. Mr. Wan rejoined EEMS Asia Pte. Ltd. as Vice President of Strategic Planning and Administration from March 2009 to June 2010, during which he was in charge of rescheduling debt of the Asian operation, cost controlling, fund raising and negotiating management incentive structure with private equity investors in leading the effort for management buy-out attempts. From July 2010 to March 2014, Mr. Wan was a management committee member and an executive director (investment) of UOB Venture Management Pte. Ltd., responsible for scrutinising all investment recommendations. Mr. Wan joined Heliconia Capital Management Pte. Ltd. in April 2014 and left in December 2019 from his last position as Managing Director of Value Creation. From January 2020 to September 2021, he was an independent non-executive director of D'nonce Technology Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: DNONCE) which principally engages in supply chain management and plastic products manufacture.

Mr. Wan is an independent director of Nanofilm Technologies International Limited, a company listed on the Main Board of the Singapore Exchange Limited (stock code: MZH) which principally engages in the provision of nanotechnology solutions in Asia, since May 2021. He is also an Adjunct Senior Lecturer at the National University of Singapore Business School since July 2019.

Mr. Wan obtained a Bachelor's Degree of Business Administration from the National University of Singapore in July 1990. He completed the Berkeley Executive Program offered by the University of California, Berkeley in the U.S. in June 2002.

**Dr. HUANG Chao-Jen (黃兆仁) ("Dr. Huang")**, aged 59, was appointed as an Independent Non-executive Director of the Company on 15 December 2020. He also serves as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. He is responsible for providing independent advice to the Board and advising on business and investment matters.

Dr. Huang has more than 30 years of experience in international political economy, international business and relations, and foreign direct investment. From January 1991 to July 1992, Dr. Huang served as a senior staff at the Ministry of Foreign Affairs of Taiwan, where he was responsible for Taiwan-United States diplomatic and business exchanges, and economic and trade negotiations and affairs. From July 1998 to January 2005, Dr. Huang worked as an associate research fellow at the Taiwan Institute of Economic Research, in charge of Taiwan free trade agreement study, national southbound policy and establishing regular economic forums between Taiwan and other nations. In February 2005, he became deputy director of the institute, primarily responsible for Taiwan free trade agreement study, national southbound policy, cross-strait economic cooperation and Taiwan-Central America comprehensive economic cooperation. Dr. Huang was later in January 2008 promoted to director general of the institute and continued to promote economic affairs and cooperation for public and private sectors until he left his position in December 2011 and served as a research fellow from January 2012 to February 2012, focusing on study of new economic issues relating to regional and global concerns. Since July 2013, Dr. Huang has been the director general and distinguished research fellow of Commerce Development Research Institute in Taiwan, providing policy and strategic advices and reports to government authorities covering economic and commercial issues.

Dr. Huang obtained a Bachelor's Degree of Arts in Diplomacy in July 1986 and a Master's Degree of Arts in International Law and Diplomacy in June 1991, both from the National Chengchi University in Taiwan. In July 1998, he obtained a Doctor's Degree of Philosophy in Politics from the University of York in the United Kingdom.



## Biographical Details of Directors and Senior Management

### SENIOR MANAGEMENT

**Ms. WANG Dandan (王丹丹) (“Ms. Wang”)**, aged 42, is the chief financial officer and senior deputy general manager of the Group, and the financial controller of the Company. She is primarily responsible for supervising the Group’s finance activities, budgeting and forecasting, and all financial, treasury and taxation matters as well as financial planning, internal control and financial reporting of the Group. Ms. Wang joined the Group in June 2009 and is currently the financial controller of the Group. She is also a director of Huaxing Tat Hong, an operating subsidiary of the Group, and a supervisor of Ronghe Tat Hong and Chongqing Tat Hong, an indirect wholly-owned subsidiary of the Company.

Ms. Wang is a member of the Association of Chartered Certified Accountants and qualified as a chartered accountant of Singapore by The Institute of Singapore Chartered Accountants since January 2013 and July 2013, respectively.

Ms. Wang has more than 16 years of experience in the fields of audit, accounting and finance. Prior to joining the Group, she worked at Audit Alliance, a firm of certified public accountants in Singapore, from November 2005 to June 2009, where she initially served as an audit assistant and served in her last position as assistant manager in the Audit and Business Advisory Services Division. From June 2009 to December 2019, she served at Tat Hong China, one of the controlling shareholders of the Group, as finance manager (seconded to Shanghai Tat Hong). In June 2009, Ms. Wang joined the Group, primarily responsible for developing and maintaining policies and procedures related to the accounting function, including appropriate internal controls, as well as recruiting and training accounting staff in the department.

Ms. Wang obtained a Bachelor’s Degree of Science (Honours) in Applied Accounting from the Oxford Brookes University in the United Kingdom in September 2012.

**Mr. DUAN Wenxuan (段文軒) (“Mr. Duan”)**, aged 49, is the senior vice president of the Group and general manager of Zhongjian Tat Hong, a subsidiary of the Group. He joined the Group in July 2007. Mr. Duan is primarily responsible for overseeing the day-to-day business operation and management of the Group and Zhongjian Tat Hong. Mr. Duan is also a director of four subsidiaries of the Group, namely Changzhou Tat Hong, Chongqing Tat Hong, Ronghe Tat Hong and Zhongjian Tat Hong.

Mr. Duan has over 14 years of experience in the construction machinery rental services industry in the PRC. Since January 2007, Mr. Duan joined Jiangsu Zhongjian Tat Hong Machinery Rental Co., Ltd\* (江蘇中建達豐機械租賃有限公司), which was later renamed as Zhongjian Tat Hong, responsible for overseeing the daily operation and management, and implementing the decisions and plans of the company. He is the general manager of Zhongjian Tat Hong.

In January 2012, Mr. Duan was named Outstanding Entrepreneur of the Year 2011\* (2011年度優秀企業家) by the Jintan District People’s Government\* (金壇市人民政府). In December 2012, he was appointed executive vice president of the 2nd Council of the Jiangsu Construction Industry Association in Beijing\* (北京江蘇建築商會第二屆理事會常務副會長). In January 2013 and January 2016, he was named Lifting and Demolition Construction Expert\* (吊裝及拆卸工程專家) by the Beijing Housing and Urban-Rural Development Committee\* (北京市住房和城鄉建設委員會). In March 2013, he was appointed a member of the Professional Technical Committee of Lifting and Demolition Construction of the Beijing City Construction and Technology Association\* (北京城建科技促進會起重吊裝及拆卸工程專業技術委員會委員). In January 2014, he was appointed vice president of the 1st Council of the Jintan Branch of the Jiangsu Corporate Chamber of Commerce in Beijing\* (北京江蘇企業商會金壇分會第一屆理事會副會長). In February 2014 and March 2016, Mr. Duan received the Awards of Outstanding Corporate Construction Manager of Jiangsu Province\* (江蘇省施工優秀企業經理) for the years 2013 and 2015 respectively from the Jiangsu Provincial Department of Housing and Urban-Rural Development. In January 2015, he was appointed vice president of the 1st Council of the Jintan Corporate Chamber of Commerce in Beijing\* (北京金壇企業商會第一屆理事會副會長). In November 2016, he received the third prize of Beijing Science and Technology Award\* (北京市科學技術獎) from the Beijing People’s Government\* (北京市人民政府). In September 2018, he was appointed executive director of the 6th Council of the Construction Machinery Branch of the China Construction Machinery Association\* (中國工程機械工業協會施工機械分會第六屆理事會常務理事). In March 2019, he was named Construction Machinery Expert\* (施工機械專家) by the China Construction Machinery Association.

## Biographical Details of Directors and Senior Management

Mr. Duan obtained a Bachelor's Degree in Mining Machinery from the Northeastern University in China in July 1996.

**Mr. ZHU Hui (朱輝) ("Mr. Zhu")**, aged 56, is the senior vice president of the Group and general manager of Huaxing Tat Hong, one of the operating subsidiaries of the Group. He joined the Group in July 2007 and was appointed as the general manager of Huaxing Tat Hong, the Group's subsidiary in April 2015. Mr. Zhu is primarily responsible for overseeing the daily business operation and management of the Group and Huaxing Tat Hong. Mr. Zhu is also a director of three subsidiaries of the Group, namely Huaxing Tat Hong, Chongqing Tat Hong and Ronghe Tat Hong.

Mr. Zhu has over 34 years of experience in the construction industry. From December 1986 to March 2001, he joined the China Nuclear Industry, one of the Company's shareholders, as a construction staff, and has subsequently served as a worker, deputy head and head of department in the Material Division. He then joined China Nuclear Industry Group Huaxing Construction Company\* (中國核工業集團華興建設公司) as a manager between March 2001 to September 2002. In September 2002, Mr. Zhu joined Jiangsu China Nuclear Huaxing Machinery Construction Co., Ltd\* (江蘇中核華興建築機械施工有限公司), which was later renamed as Huaxing Tat Hong, as the assistant to general manager and manager of the Shanghai branch office. In September 2007, he was promoted to deputy general manager and was further promoted to general manager in April 2015.

Mr. Zhu obtained his tertiary education qualification in business administration from the Yangzhou University in Jiangsu, China in June 2004 and a Master's Degree in Executive Master of Business Administration from the Tongji University in China in December 2018. He was also qualified as a senior economist by the Jiangsu Provincial Department of Human Resources and Social Security\* (江蘇省人力資源和社會保障廳) in November 2017.

**Mr. SHEN Shiping (沈世平) ("Mr. Shen")**, aged 63, is the chief engineer of the Group and general manager of Changzhou Tat Hong, an operating subsidiary of the Group. He joined the Group in January 2010 and is currently the general manager of Changzhou Tat Hong, one of the Group's subsidiary. Mr. Shen is primarily responsible for overseeing different phases of the Group's tower crane service projects, including but not limited to installation, equipment maintenance or project development. Mr. Shen is also a director of three subsidiaries of the Group, namely Changzhou Tat Hong, Chongqing Tat Hong and Ronghe Tat Hong.

Mr. Shen has over 22 years of experience in technical supervision, product development and project management in the construction industry and property development sector in the PRC. In December 1998, he ventured into the property development sector in the PRC and joined Guangzhou Xihua Industrial Development Company Limited\* (廣州市錫華實業發展有限公司) as deputy general manager, responsible for the overall development, construction and designs of commercial and residential properties. From January 2009 to January 2010, he served the Guangzhou Saiwate Power Technology Co. Ltd.\* (廣州市賽瓦特動力科技有限公司) as deputy general manager, responsible for supervising and overseeing the day-to-day business operation of the company.

In April 1990 and March 1993, Mr. Shen was awarded the third prize of the Sichuan Science and Technology Advancement Award\* (四川省科學技術進步獎) for the years 1989 and 1992, respectively, by the Sichuan People's Government\* (四川省人民政府). In October 1991, he received the first prize of the Technological Advancement Award\* (科技進步獎) from the Sichuan Architectural Construction Head Company\* (四川省建築工程總公司). In August 2009, Mr. Shen has obtained credentials as senior professional and technical position from the Sichuan Provincial Human Resources Department\* (四川省人事廳) and was certified as a senior engineer in the construction machinery profession.

Mr. Shen obtained a tertiary qualification in construction machinery from the Sichuan Architecture Vocational Technology College in China in November 1982 and completed an advanced course in relation to business administration for entrepreneurs from the South China University of Technology in Guangzhou, China in June 2004.

## Biographical Details of Directors and Senior Management

**Mr. SHI Jun (仕軍) (“Mr. Shi”)**, aged 49, is the head of research and development of the Group and the general manager of Ronghe Tat Hong, one of the operating subsidiaries of the Group. He joined the Group in June 2007 and was appointed as the general manager of Ronghe Tat Hong in August 2019. Mr. Shi is primarily responsible for overseeing the research and development of the Group and the daily business operation and management of Ronghe Tat Hong.

Mr. Shi has over 27 years of experience in the construction engineering and machinery industry. In July 1994, he joined China Nuclear Industry, one of the shareholders of the Group, as a machinery repair technician and later became a nuclear power station project technician in September 1997. In July 2000, he worked in China Nuclear Industry Group Huaxing Construction Company\* (中國核工業集團華興建設公司) as a manager of the technical safety department. In June 2004, Mr. Shi joined Jiangsu China Nuclear Huaxing Machinery Construction Co., Ltd\* (江蘇中核華興建築機械施工有限公司), which was later renamed as Huaxing Tat Hong, as a manager. In June 2007, he was promoted and worked as the vice general manager of Huaxing Tat Hong until he became the general manager of Ronghe Tat Hong in August 2019.

Mr. Shi obtained a tertiary qualification in agricultural engineering from the Nanjing Agricultural University in China in July 1994, and a higher education qualification in mechanical design, manufacture and automation from the Hunan University of Science and Technology in China in December 2013.

Saved as disclosed above, none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationships with any other Director and chief executive).

## Report of the Directors

The directors of the Company (the “**Directors**”) are pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in one-stop tower crane solution services ranging from consultation, technical solution design, commissioning, construction to after-sale service primarily to the State Owned Special-tier and Tier 1 and 2 contractors in the People’s Republic of China (the “**PRC**”). Particulars of the principal subsidiaries of the Company are set out in Note 16 to the consolidated financial statements.

### FINANCIAL RESULTS

The financial results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of comprehensive income on page 96 of this annual report.

### DIVIDEND

The Board has recommended a final dividend of HKD0.016 per share for the year ended 31 March 2022, in an aggregate amount of approximately HKD18,669,940 (the “**Final Dividend**”). The Final Dividend is subject to the approval of the Shareholders at the forthcoming 2022 AGM and is expected to be distributed on or around Friday, 4 November 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 14 October 2022.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

### ANNUAL GENERAL MEETING

The 2022 AGM of the Company is scheduled to be held on Wednesday, 28 September 2022.

### CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Friday, 23 September 2022 to Wednesday, 28 September 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at “Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong” (if the transfer forms accompanied by the relevant share certificates are lodged before 15 August 2022) or at “17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong” (if the transfer forms accompanied by the relevant share certificates are lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Thursday, 22 September 2022.

Subject to the approval of the Shareholders at the 2022 AGM and for the purpose of determining the identity of the Shareholders who are entitled to receive the Final Dividend, the register of members of the Company will be closed from Wednesday, 12 October 2022 to Friday, 14 October 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the Final Dividend, all transfer forms accompanied by relevant share certificates must be lodged with Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at “Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong” (if the transfer forms accompanied by the relevant share certificates are lodged before 15 August 2022) or at “17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong” (if the transfer forms accompanied by the relevant share certificates are lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Tuesday, 11 October 2022.

## Report of the Directors

### BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in the section headed "Chairman's Statement" as well as the section headed "Management Discussion and Analysis" of this annual report respectively.

### COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material respects with the applicable laws and regulations that have a significant impact on the business and operation of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to building an environmental-friendly corporation that pays close attention to conserving natural resources. The Group strives to minimise its adverse environmental impact by saving electricity and encouraging recycle of office supplies and other materials.

The environmental, social and governance report of the Company for the year ended 31 March 2022 containing the information required under Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") will be published on the website of the Company and the website of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in accordance with the provisions of the Listing Rules.

### FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the past five years ended 31 March 2022 are set out on page 164 of this annual report. The summary does not form part of the audited consolidated financial statements of the Company.

### SHARE CAPITAL

Details of the movements in the share capital of the Company during the year ended 31 March 2022 are set out in Note 28 to the consolidated financial statements.

### RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended 31 March 2022 are set out in the consolidated statement of changes in equity and Note 29 and Note 39 to the consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements of the property, plant and equipment of the Group during the year ended 31 March 2022 are set out in Note 17 to the consolidated financial statements.

### DISTRIBUTABLE RESERVES

As at 31 March 2022, the reserves of the Company available for distribution to the Shareholders amounted to approximately HKD517.8 million (as at 31 March 2021: approximately HKD571.3 million).

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 March 2022 are set out in Note 32 to the consolidated financial statements.

## Report of the Directors

### RETIREMENT BENEFIT SCHEME

The Group participated in various retirement schemes in accordance with the relevant rules and regulations in the PRC. Details of pension obligations of the Group during the year ended 31 March 2022 are set out in Note 2.18 to the consolidated financial statements.

The Group's subsidiary in Singapore also participated in a defined contribution scheme operated by Central Provident Fund board of directors in Singapore. The expenses recognised in the subsidiary represent contributions paid and payable to the plan by the subsidiary at rates specified in the rules of the plan.

The Central Provident Fund is a compulsory savings scheme and provides the functions of social security, which is primarily used to fund employees' retirement, housing, insurance, education or healthcare needs. The employee and employer both have to contribute to this fund.

### TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

### EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the "Share Option Scheme", no equity-linked agreements have been entered into by the Company during the year ended 31 March 2022 or subsisted at the end of the year.

### DIRECTORS

The Directors during the year and up to the date of this annual report are as follows:

#### Executive Directors:

Mr. Yau Kok San (*Chief Executive Officer*)

Mr. Lin Han-wei (*Chief Operating Officer*)

#### Non-executive Directors:

Mr. Ng San Tiong (*Chairman*)

Mr. Sun Zhaolin

Mr. Liu Xin

Mr. Guo Jinjun\*

#### Independent Non-executive Directors:

Ms. Pan I-Shan

Mr. Wan Kum Tho

Dr. Huang Chao-Jen

\* appointed on 30 March 2022

### DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company are set out in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Information regarding Directors' emoluments is set out in Note 13 to the consolidated financial statements.

## Report of the Directors

### CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his/her independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules for the year ended 31 March 2022.

### DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors, the Non-executive Directors and the Independent Non-executive Directors has entered into a service contract with the Company for a term of three years, commencing from date of appointment until terminated by either party giving not less than three months' notice in writing to the other and subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company (the "**Articles of Association**"). Their emoluments were determined by the Board on the recommendation of the Remuneration Committee by reference to their experience, responsibilities and duties with the Company and shall be reviewed annually by the Remuneration Committee and by the Board.

Save as disclosed above, none of the Directors has a service contract or a letter of appointment which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

### EMOLUMENTS POLICY

The Group remunerates its employees, including the Directors, on the basis of their merit, qualifications and competence. The Group's employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Subject to the Group's profitability, the Group may also provide discretionary bonuses to its employees as an incentive for their contribution to the Group.

Details of the remuneration of the Directors for the year ended 31 March 2022 are set out in Note 13 to the consolidated financial statements. None of the Directors waived any emoluments during the year ended 31 March 2022.

### SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") pursuant to the written resolutions of the Company's shareholders and Directors passed on 15 December 2020 which took effect upon 13 January 2021 (the "**Listing Date**"). The following is a summary of the principal terms of the Share Option Scheme:

#### 1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to grant share options to eligible persons as incentives or rewards for their contributions to the Group.

#### 2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may, subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees of the Company or any member of the Group, including any Executive Directors, Non-executive Directors and Independent Non-executive Directors, advisers, consultants of the Company or any of our subsidiaries.

#### 3. Maximum number of Shares available for the Share Option Scheme and percentage to the issued Shares as at the date of this annual report

116,687,125 Shares (equivalent to 10% of the total number of Shares in issue as at the Listing Date).

#### 4. Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and to be issued upon exercise of the options granted to a participant under this scheme or any other share option schemes (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue from time to time. Any further grant of share option in excess of such limit must be separately approved by the Shareholders in general meeting.

## Report of the Directors

### 5. The period within which the Shares must be exercised under an option

A period which shall not be more than ten (10) years from the date of the grant of option and subject to the provisions for lapse of option as contained in the Share Option Scheme.

### 6. The minimum period for which an option must be held before it can be exercised

Unless otherwise determined by the Board, there is no performance target required to be achieved and no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

### 7. The amount payable on application or acceptance of the option and the period offered for acceptance

Upon acceptance of the option, the eligible person shall pay HKD1.00 (or such other nominal sum in any currency as the Board may determine) to the Company as consideration for the grant thereof. The share option offer shall be offered for acceptance by the eligible person concerned for a period not less than 5 business days from the date on which the offer is made, except for any offer which is made within last five trading days of the life of this Share Option Scheme, the offer shall remain open for acceptance on a business day by the eligible person concerned for a period of not longer than the remaining life of this scheme.

### 8. The basis of determining the exercise price

To be determined by the Board and shall be at least the highest of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options, which must be a trading day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the options; and (c) the nominal value of a share on the offer date.

### 9. The remaining life of the Shares Option Scheme

The Share Option Scheme is valid and effective for a period of ten (10) years commencing on the Listing Date.

No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and up to the date of this annual report.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2022, the Group had entered into the following continuing connected transactions:

Agreement	Date of agreement	Description of continuing connected transactions	Parties to agreement	Term	Annual cap	Transaction amount for the year ended 31 March 2022
Yongmao Master Agreement	22 December 2020	(i) Purchase tower cranes and related parts and components from Yongmao Group; and  (ii) Rent tower cranes and related parts and components from Yongmao Group	(i) Yongmao Group; and  (ii) the Group	From the Listing Date to 31 March 2023	(i) For the year ended 31 March 2022 shall be RMB109.8 million  (ii) For the year ending 31 March 2023 shall be RMB107.8 million	RMB101.7 million



## Report of the Directors

As at 31 March 2022, Tat Hong Holdings, one of our controlling Shareholders, owns approximately 24.0% of Yongmao whereas Sun & Tian Investment Pte. Ltd. (“**Sun & Tian**”) owns approximately 57.4% of Yongmao. Sun & Tian is wholly owned by Mr. Sun Zhaolin (“**Mr. Sun**”), a Non-executive Director of the Company, and his family members. Mr. Sun is the chairman and executive director of Yongmao.

By virtue of Sun & Tian holding approximately 57.4% of Yongmao and Mr. Sun being a Non-executive Director, Yongmao is considered as an associate of Mr. Sun and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions under the Yongmao Master Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, all Independent Non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company’s Auditor has been engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued a letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and concluded that such transactions:

- (1) have been approved by the Board;
- (2) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and
- (3) have an aggregate amount not exceeding the relevant cap disclosed in prospectus of the Company dated 30 December 2020.

A copy of the Auditor’s letter on the continuing connected transactions of the Group for the year ended 31 March 2022 has been provided by the Company to the Stock Exchange.

The related party transactions mentioned in Note 38 to the consolidated financial statements constitute connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the year ended 31 March 2022 in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

## Report of the Directors

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules on the Stock Exchange were as follows:

#### (A) Long position in the Shares

Name of Directors	Capacity	Number and class of securities held/ interested	Approximate percentage of shareholding in the Company
Mr. Ng San Tiong (“Mr. Ng”) (Notes 1 and 2)	Trustee	790,760,387 ordinary Shares	67.77%
Mr. Yau Kok San	Beneficial owner	4,957,135 ordinary Shares	0.42%
Mr. Lin Han-wei (“Mr. Lin”) (Note 3)	Beneficiary of a trust	4,906,118 ordinary Shares	0.42%

#### (B) Long position in the ordinary shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	Approximate percentage of interest
Mr. Ng (Notes 1, 2)	Chwee Cheng & Sons Pte. Ltd. (“Chwee Cheng & Sons”)	Trustee	39.50%
		Beneficial owner	11.01%

#### Notes:

- Tat Hong China Equipment (China) Pte. Ltd. (“Tat Hong China”) owns approximately 66.9% of the issued capital of the Company and TH Straits 2015 Pte. Ltd. (“TH Straits 2015”) owns approximately 0.8% of the issued capital of the Company. In turn, TH Straits 2015 is wholly owned by Tat Hong China and Tat Hong China is owned as to approximately 88.4% by Tat Hong International Pte. Ltd. (“Tat Hong International”) and 11.6% by Yongmao Holdings Limited. For the shareholding structure of Tat Hong International, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee, as joint trustees of the Chwee Cheng Trust (an irrevocable discretionary trust established by Mr. Ng’s father, with Mr. Ng and his family members as beneficiaries and Mr. Ng, Ng Sun Ho, Ng San Wee and Ng Sun Giam Roger as the joint trustees), owns approximately 39.5% of the shares of Chwee Cheng & Sons, which in turn owns 100% of the shares of TH60 Investments Pte. Ltd. (“TH60 Investments”), which in turn owns approximately 70.8% of the shares of THSC Investments Pte. Ltd. (“THSC Investments”), which in turn owns 100% of the shares of Tat Hong Holdings Ltd. (“Tat Hong Holdings”), which in turn owns 100% of the shares of Tat Hong International.

## Report of the Directors

- Tat Hong China is the beneficial owner holding approximately 67.8% shareholding interest in the Company and thus each of Tat Hong International, Tat Hong Holdings, THSC Investments, TH60 Investments, Chwee Cheng & Sons, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee are deemed or taken to be interested in all the Shares which are to be beneficially owned by Tat Hong China for the purpose of the SFO.
- As at 31 March 2022, these Shares are held by Maples Trustee Services (Cayman) Limited, which is the trustee of the Straits Trust, a trust established by TH Straits 2015 on 24 March 2022 for the employee benefit scheme.

Save as disclosed above, as at 31 March 2022, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors and chief executive of the Company are aware, as at 31 March 2022, the following Shareholders (other than the interests of the Directors and the chief executives of the Company) had interests in the Shares or underlying Shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be kept under Section 336 of the SFO:

#### Long position Shares, underlying Shares and debentures

Name	Capacity/Name of Interest	Number of Shares held/interested	Approximate percentage of shareholding in the Company
Tat Hong China (Notes 1, 2)	Beneficial interest and interest in controlled corporations	790,760,387 Shares	67.77%
Tat Hong International (Notes 1, 2)	Interest in controlled corporations	790,760,387 Shares	67.77%
Tat Hong Holdings (Notes 1, 2)	Interest in controlled corporations	790,760,387 Shares	67.77%
THSC Investments (Notes 1, 2)	Interest in controlled corporations	790,760,387 Shares	67.77%
TH60 Investments (Notes 1, 2)	Interest in controlled corporations	790,760,387 Shares	67.77%
Chwee Cheng & Sons (Notes 1, 2)	Interest in controlled corporations	790,760,387 Shares	67.77%
Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee (Notes 1, 2)	Trustee	790,760,387 Shares	67.77%
Zoomlion International Trading (H.K.) Co., Limited (Note 3)	Beneficial interest	87,476,000 Shares	7.50%
Zoomlion H.K. Holding Co., Limited (Note 3)	Interest in controlled corporations	87,476,000 Shares	7.50%
Zoomlion Heavy Industry Science and Technology Co., Limited (Note 3)	Interest in controlled corporations	87,476,000 Shares	7.50%
PHILLIP CAPITAL (HK) LIMITED (Note 4)	Beneficial interest	64,738,000 Shares	5.55%
LIM Hua Min (Note 4)	Interest in controlled corporations	64,738,000 Shares	5.55%

## Report of the Directors

### Notes:

1. Tat Hong China owns approximately 66.9% of the issued capital of the Company and TH Straits 2015 owns approximately 0.8% of the issued capital of the Company through its interest in Tat Hong China is owned as to approximately 88.4% by Tat Hong International and 11.6% by Yongmao Holdings Limited. For the shareholding structure of Tat Hong International, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee, as joint trustees of the Chwee Cheng Trust, owns approximately 39.5% of the shares of Chwee Cheng & Sons, which in turn owns 100% of the shares of TH60 Investments, which in turn owns approximately 70.8% of the shares of THSC Investments, which in turn owns 100% of the shares of Tat Hong Holdings, which in turn owns 100% of the shares of Tat Hong International.
2. Tat Hong China is the beneficial owner holding approximately 67.8% shareholding interest in the Company and thus each of Tat Hong International, Tat Hong Holdings, THSC Investments, TH60 Investments, Chwee Cheng & Sons, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee are deemed or taken to be interested in all the Shares which are beneficially owned by Tat Hong China for the purpose of the SFO.
3. Zoomlion International Trading (H.K.) Co., Limited is wholly owned by Zoomlion H.K. Holding Co., Limited, which is in turn wholly owned by Zoomlion Heavy Industry Science and Technology Co., Limited. By virtue of the SFO, each of Zoomlion H.K. Holding Co., Limited, Zoomlion Heavy Industry Science and Technology Co., Limited is deemed to be interested in the same number of Shares in which Zoomlion International Trading (H.K.) Co., Limited is interested.
4. PHILLIP CAPITAL (HK) LIMITED is owned as to 85% by LIM Hua Min. By virtue of the SFO, LIM Hua Min is deemed to be interested in the same number of Shares in which PHILLIP CAPITAL (HK) LIMITED is interested.

Save as disclosed above, as at 31 March 2022, the Directors are not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries, is a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company has been entered into or existed during the year ended 31 March 2022.

### RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group acknowledges the importance to maintain good relationship with its employees, customers and suppliers for the achievement of its short-term and long-term business objectives. For the year ended 31 March 2022, there was no serious and material dispute between the Group and its employees, customers and suppliers.

### MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2022, the Group's largest customer and five largest customers accounted for 20% (2021: 17%) and 46% (2021: 48%) of the Group's total revenues respectively. During the year ended 31 March 2022, the Group's largest supplier and five largest suppliers accounted for 25% (2021: 13%) and 69% (2021: 40%) of the Group's total purchases respectively.

During the year ended 31 March 2022, none of the Directors or any of their respective associates or any shareholder which to the best knowledge of the Directors, who own more than 5% of the Company's issued share capital, had any interest in any of the Group's five largest customers or suppliers during the year ended 31 March 2022.

## Report of the Directors

### **DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Save as disclosed in the paragraph headed “Connected Transactions and Continuing Connected Transactions” or otherwise disclosed in this annual report, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which any (i) Director or his/her connected entity or (ii) controlling shareholders or any of their subsidiaries had a material interest subsisted, either directly or indirectly, as at 31 March 2022 or at any time during the year ended 31 March 2022.

### **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under 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 unless otherwise required by the Stock Exchange.

### **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the year ended 31 March 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

### **USE OF PROCEEDS**

Details of the use of proceeds from the listing of shares on the Main Board of the Stock Exchange is set out in the section headed “Management Discussion and Analysis — Use of Proceeds from the Listing” of this annual report.

### **CHARITABLE DONATION**

During the year ended 31 March 2022, the Group has made the charitable donation amounted to approximately RMB240,000 (31 March 2021: Nil).

### **PERMITTED INDEMNITY PROVISION**

Pursuant to the Company's Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty.

In addition, the Company has maintained appropriate directors and officers liability insurance cover for the directors and officers of the Company and its subsidiaries.

### **CORPORATE GOVERNANCE**

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The Company had complied with applicable code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules since the Listing Date to 31 March 2022 and up to the date of this annual report. Details of the corporate governance practices adopted by the Company are set out in the “Corporate Governance Report” section of this annual report.

### **SUFFICIENCY OF PUBLIC FLOAT**

As at the date of this annual report, based on the information publicly available to the Company and to the best of the Directors' knowledge, the Company has maintained a sufficient public float as required under the Listing Rules.

## Report of the Directors

### NON-COMPETITION UNDERTAKING

In order to avoid any future competition among our Group with the Chwee Cheng Controlling Shareholder Group (the members of which include Mr. Ng, Ng Sun Ho, Ng San Wee and Ng Sun Giam Roger (as the trustee of the Chwee Cheng Trust), Ng Sun Ho, Mr. Ng, Ng Chwee Cheng, Ng Sun Hoe, Ng Sang Kuey, Ng San Guan, Ng Sun Wee, Ng Sun Giam Roger, Ng Sun Eng and Ng Sun Oh), Chwee Cheng & Sons, TH60 Investments, THSC Investments, Tat Hong Holdings, Tat Hong International, TH Straits 2015 and Tat Hong Equipment (China) (collectively, the “**Controlling Shareholders**”), on 22 December 2020, the Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed a deed of non-competition dated 22 December 2020 in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries) (the “**Deed of Non-Competition**”).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, among others, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which the Covenantors cease to be a Controlling Shareholder, it will not, and will use its best endeavours to procure any Covenantor, its close associates (collectively, the “**Controlled Persons**”) and any company directly or indirectly controlled by the Covenantor (the “**Controlled Company**”) not, either on its own or in conjunction with or on behalf of any person, firm or any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, among other things, carry on, participate or be interested in, hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent, or otherwise and whether for profit, reward, interest or otherwise), engage in, acquire or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on or contemplated to be carried on by the Company or any of its subsidiaries in Hong Kong, the PRC and such other places as the Company or any of its subsidiaries may conduct or carry on business from time to time in the future (the “**Restricted Business**”); and such further undertakings including but not limited to referring any and all new business opportunities in connection with the Restricted Business, non-disclosure of any confidential or trade-sensitive information of the Group; non-solicitation of customers; and conduct of conflict checks with its customers etc. Details of the Non-competition Deed are set out in the paragraph headed “Non-Competition Undertaking” in the section headed “Relationship with Controlling Shareholders” of the prospectus of the Company dated 30 December 2020.

The Company has received the annual written declaration signed by each of the Controlling Shareholders declaring, inter alia, that he/it had complied with the terms of the Deed of Non-competition during the year ended 31 March 2022 for disclosure in this annual report (the “**Declaration**”).

The Independent Non-executive Directors have reviewed the Declaration and the implementation of the Deed of Non-Competition during the year ended 31 March 2022 and confirmed that they are not aware of any non-compliance of the Deed of Non-competition by the Controlling Shareholders during the financial year ended 31 March 2022. The Independent Non-executive Directors had not been called to make any decisions in relation to any Restricted Business during the year ended 31 March 2022 and up to the date of the Declaration.

### DIRECTOR’ INTEREST IN COMPETITIVE BUSINESS

During the year ended 31 March 2022 and up to the date of this annual report, the Directors are not aware of any business or interest of Directors (other than the Independent Non-executive Directors) nor Controlling Shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

### EVENTS AFTER THE REPORTING PERIOD

Details of other significant events after the balance sheet date are set out in Note 40 to the consolidated financial statements.

## Report of the Directors

To conform with the core shareholder protection standards set out in Appendix 3 (the “**Core Shareholder Protection Standards**”) to the Listing Rules which took effect on 1 January 2022, the Board proposes to amend the current memorandum and articles of association of the Company and to adopt an amended and restated memorandum and articles of association (the “**Amended and Restated M&A**”) in order to conform with the Core Shareholder Protection Standards and to make some house-keeping amendments. The proposed adoption of the Amended and Restated M&A is subject to the approval of the Shareholders by way of a special resolution at the 2022 AGM. A circular containing, among other things, particulars relating to the proposed amendments to the current memorandum and articles of association of the Company brought about by the adoption of the Amended and Restated M&A together with a notice convening the 2022 AGM will be despatched to the Shareholders in accordance with the Listing Rules.

### REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee consists of three Independent Non-executive Directors, namely Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen. Ms. Pan I-Shan is the Chairlady of the Audit Committee. The Audit Committee has reviewed the consolidated financial statements of the Company for the year ended 31 March 2022.

### AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2022 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the 2022 AGM of the Company. A resolution for re-appointment of PricewaterhouseCoopers as the independent Auditor of the Company will be proposed at the 2022 AGM.

On behalf of the Board

#### **Mr. Ng San Tiong**

*Chairman*

Hong Kong/the PRC

29 June 2022

## Corporate Governance Report

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure.

### CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions under the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 March 2022 and up to the date of this annual report, the Company had complied with all of the applicable code provisions of the CG Code. The Company is committed to the objective that the Board should include a balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors so that there is a strong independent element on the Board which can effectively exercise independent judgement.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in the Model Code in Appendix 10 to the Listing Rules. The Company, having made specific enquiry of all the Directors, confirmed that all Directors had complied with the required standard set out in the Model Code from the Listing Date and up to the date of this annual report and no incident of non-compliance by the Directors has been noted by the Company during the year ended 31 March 2022 and up to the date of this annual report.

### COMPETING INTEREST

For the year ended 31 March 2022, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders, the management, the Shareholders and their respective associates (as defined under the Listing Rules) that compete or may compete with the business of the Company and its subsidiaries (collectively "Group") the Group and any other conflict of interest.

### BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters.

The management has been delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this annual report.

The Board currently consists of nine Directors, comprising two Executive Directors, four Non-executive Directors and three Independent Non-executive Directors. The biographical information of the Directors is set out under the section headed "Biographical Details of Directors and Senior Management" in this annual report.

### Confirmation of Independence of Independent Non-Executive Directors

The Company has received a confirmation of independence from each of the Independent Non-executive Directors, namely Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen, pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are considered to be independent pursuant to the independence requirements set out in the Listing Rules.



## Corporate Governance Report

### Chairman and Chief Executive Officer

Under the code provision C.2.1 of the CG Code, the roles of the Chairman and the Chief Executive Officer are held separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Ng San Tiong is the Chairman of the Board and Mr. Yau Kok San is the Chief Executive Officer of the Company. Mr. Ng San Tiong is in charge of the management of the Board and responsible for providing strategic advice to the Group and developing and implementing business strategy of the Group. Mr. Yau Kok San is responsible for overseeing the operation of the management team and formulating business strategy and corporate development strategy of the Group. The Company considered that the division of responsibilities between the Chairman and Chief Executive Officer is clearly established.

### Non-executive Director and Independent Non-executive Directors

The Non-executive Directors and the Independent Non-executive Directors are appointed for a specific term and they are also subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company (the “**Articles of Association**”).

The four Non-executive Directors and the three Independent Non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of the engineering industry, tower crane solution service industry, construction machinery manufacturing, nuclear construction, venture capital, private equity investment industry, audit and accounting, international political economy, international business and relations, foreign direct investment and nuclear engineering industry. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board.

### Directors' Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of our Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. All Directors participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains sound and advances. Directors provide their records of training to the Company from time to time.

The attendance record of professional training received by the Directors during the year ended 31 March 2022 is as follows:

<b>Name of Director</b>	<b>Nature of continuous professional development programmes</b>
Mr. Yau Kok San	A/B/C
Mr. Lin Han-wei	A/B/C
Mr. Ng San Tiong	A/B/C
Mr. Sun Zhaolin	A/B/C
Mr. Guo Jinjun*	B
Mr. Liu Xin	A/B/C
Ms. Pan I-Shan	A/B/C
Mr. Wan Kum Tho	A/B/C
Dr. Huang Chao-Jen	A/B/C

\* appointed on 30 March 2022

# Corporate Governance Report

## Notes:

- A: Participating the web training from Hong Kong Exchanges and Clearing Market Website.
- B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances.
- C: Participating web symposium from external specialist institutions.

## Board Diversity Policy

The Board adopted a Board diversity policy on 29 June 2022 (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. The Company believes that it will help strengthen the business development of the Company and enhance the effectiveness and performance of the Board. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Board delegated certain duties under the Board Diversity Policy to the Nomination Committee. The Nomination Committee will review this Board Diversity Policy, as appropriate, to ensure the effectiveness of this Board Diversity Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

## Board Meetings

The Board intends to hold board meetings regularly at least four times a year at approximately quarterly intervals. Notices of not less than fourteen days will be given for all regular board meetings to provide all Directors with an opportunity to attend and propose matters to be discussed in the meeting agenda.

During the year ended 31 March 2022, 5 Board meetings were held. The attendance record of each Director is set out in the table below:

<b>Name of Directors</b>	<b>Attendance/ Number of Board meetings held during a Director's tenure</b>
<b>Executive Directors</b>	
Mr. Yau Kok San ( <i>Chief Executive Officer</i> )	5/5
Mr. Lin Han-wei	5/5
<b>Non-executive Directors</b>	
Mr. Ng San Tiong ( <i>Chairman</i> )	5/5
Mr. Sun Zhaolin	4/5
Mr. Guo Jinjun*	0/0*
Mr. Liu Xin	5/5
<b>Independent Non-executive Directors</b>	
Ms. Pan I-Shan	5/5
Mr. Wan Kum Tho	5/5
Dr. Huang Chao-Jen	5/5

\* appointed on 30 March 2022

## Corporate Governance Report

### General Meetings

One general meeting was held during the year ended 31 March 2022. The attendance record of each Director is set out in the table below:

Name of Directors	Attendance/ Number of General Meeting held during a Director's tenure
<b>Executive Directors</b>	
Mr. Yau Kok San ( <i>Chief Executive Officer</i> )	1/1
Mr. Lin Han-wei	1/1
<b>Non-executive Directors</b>	
Mr. Ng San Tiong ( <i>Chairman</i> )	1/1
Mr. Sun Zhaolin	0/1
Mr. Guo Jinjun*	0/0
Mr. Liu Xin	0/1
<b>Independent Non-executive Directors</b>	
Ms. Pan I-Shan	1/1
Mr. Wan Kum Tho	1/1
Dr. Huang Chao-Jen	1/1

\* appointed on 30 March 2022

### BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the website of the Company ([www.tathongchina.com](http://www.tathongchina.com)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and are available to the Shareholders upon request.

#### Audit Committee

The Audit Committee operates under the terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management framework exist within the entity. This includes internal controls, risk management to deal with both the effectiveness and efficiency of significant business processes, safeguarding of assets, maintenance of proper accounting records, and reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Board has delegated to the Audit Committee the responsibility for the establishment and the maintenance of a framework of internal controls, risk management and ethical standards for the Group's management. The Audit Committee currently comprises three Independent Non-executive Directors, namely Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen. Ms. Pan I-Shan is the chairlady of the Audit Committee.

## Corporate Governance Report

During the year ended 31 March 2022 and up to the date of this annual report, the Audit Committee mainly performed the following duties:

- reviewed our Group's the audited annual results for the year ended 31 March 2022 and the unaudited interim report for the six months ended 30 September 2021, and is of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;
- reviewed the accounting principles and practices adopted by our Group, and recommended the appointment of the external Auditor; and
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

During the year ended 31 March 2022, two Audit Committee meetings have been held. The attendance record of each member of the Audit Committee is set out in the table below:

<b>Name of Members of the Audit Committee</b>	<b>Attendance/ Number of Audit Committee meeting held during a Director's tenure</b>
Ms. Pan I-Shan ( <i>Chairlady</i> )	2/2
Mr. Wan Kum Tho	2/2
Dr. Huang Chao-Jen	2/2

### Remuneration Committee

The primary duties of the Remuneration Committee are to (i) develop and review the policies and the structure of the remuneration for the Directors and senior management; (ii) evaluate the performance of, and make recommendations on the remuneration packages and long-term incentive compensation or equity plans for, the Directors and senior management; and (iii) evaluate and make recommendations on employee benefit arrangements. The Remuneration Committee currently comprises three Independent Non-executive Directors, namely Mr. Wan Kum Tho, Ms. Pan I-Shan and Dr. Huang Chao-Jen. Mr. Wan Kum Tho is the chairman of the Remuneration Committee.

During the year ended 31 March 2022 and up to the date of this annual report, the Remuneration Committee mainly performed the following duties:

- reviewed our Group's remuneration policy and reviewed the remuneration package of the Executive Directors and senior management for the year ended 31 March 2022; and
- recommended to the Board the remuneration package of Mr. Guo Jinjun and Mr. Liu Xin, the Non-executive Directors of the Company. Such recommendation has been adopted by the Board.

## Corporate Governance Report

During the year ended 31 March 2022, four Remuneration Committee meetings have been held. The attendance record of each member of the Remuneration Committee is set out in the table below:

<b>Name of Members of the Remuneration Committee</b>	<b>Attendance/ Number of Remuneration Committee meetings held during a Director's tenure</b>
Mr. Wan Kum Tho ( <i>Chairman</i> )	4/4
Ms. Pan I-Shan	4/4
Dr. Huang Chao-Jen	4/4

Pursuant to Appendix 14 Code provision E.1, the details of any remuneration payable to members of senior management by band, fell within the following bands:

<b>Remuneration band</b>	<b>Year ended 31 March 2022 Number of individuals</b>
HKD4,000,000 to HKD5,000,000	1
HKD5,000,000 to HKD6,000,000	2
HKD9,000,000 to HKD10,000,000	2

### Nomination Committee

The primary functions of the Nomination Committee are to make recommendations to the Board in relation to the appointment and removal of Directors and senior management, and on matters of succession planning. In assessing the Board composition, the Nomination Committee will take into account various aspects set out in the Board Diversity Policy, including but not limited to professional qualifications, regional and industry experience, educational and cultural background, skills, industry knowledge, reputation and gender. The Nomination Committee will discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee will consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee currently comprises a Non-executive Director, Mr. Ng San Tiong, and two Independent Non-executive Directors, namely Mr. Wan Kum Tho and Dr. Huang Chao-Jen. Mr. Ng San Tiong is the chairman of the Nomination Committee.

## Corporate Governance Report

During the year ended 31 March 2022 and up to the date of this annual report, the Nomination Committee mainly performed the following duties:

- reviewed the background of and nominated Mr. Guo Jinjun and Mr. Liu Xin as the Non-executive Director. Such nomination has been adopted by the Board;
- reviewed the annual confirmations of independence submitted by the Independent Non-executive Directors and assessed their independence;
- reviewed the structure, size and composition of the Board during the year ended 31 March 2022;
- adopted the Board Diversity Policy; and
- reviewed the background of the retiring Directors and determined whether the retiring Directors continue to meet the criteria to be re-elected in the 2022 AGM of the Company to be held on 28 September 2022, and made commendations to the Board on the re-election of retiring Directors.

During the year ended 31 March 2022, three Nomination Committee meetings have been held. The attendance record of each member of the Nomination Committee is set out in the table below:

<b>Name of Members of the Nomination Committee</b>	<b>Attendance/ Number of Nomination Committee meetings held during a Director's tenure</b>
Mr. Ng San Tiong ( <i>Chairman</i> )	3/3
Mr. Wan Kum Tho	3/3
Dr. Huang Chao-Jen	3/3

### Nomination Policy

The Board has on 29 June 2022 adopted a nomination policy in accordance with the CG Code, which sets out the procedure for the election, appointment and re-appointment of Directors (the "**Nomination Policy**"). The Nomination Policy specifies certain selection criteria and the Board succession planning consideration.

## Corporate Governance Report

The Nomination Policy is produced as follows.

1. In carrying out its duties, the Nomination Committee shall give adequate consideration to the following principles:
  - (a) in relation to Board composition — the Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It should include a balanced composition of Executive, Non-executive and Independent Non-executive Directors so that there is a strong independent element on the Board and independent judgment can be effectively exercised. Non-executive Directors and Independent Non-executive Directors should be of sufficient calibre and number for their views to carry weight; and
  - (b) in relation to appointment, re-election and removal of Directors — there should be a formal, considered and transparent procedure for selection, appointment and reappointment of Directors, as well as plans in place for orderly succession for appointments (if considered necessary). It should ensure that changes to the Board composition can be managed without undue disruption. All Directors should be subject to re-election at regular intervals in accordance with the Articles of Association and the Listing Rules.
2. The criteria to be applied in considering whether a candidate is qualified shall be his/her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board (which includes but not limited to diversity in gender, age, experience, cultural and educational background, expertise, skills and know-how) as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:
  - (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;
  - (b) taking the lead where potential conflicts of interests arise as Independent Non-executive Directors;
  - (c) serving on the Audit, Remuneration, Nomination and other governance committees, if invited;
  - (d) giving the Board and any committees on which he/she serves the benefit of his/her skills, expertise, varied backgrounds and qualifications through attendance and participation;
  - (e) monitoring or scrutinising the Company's performance in achieving agreed corporate goals and objectives;
  - (f) conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules, where appropriate; and
  - (g) if the candidate is proposed to be appointed as an Independent Non-executive Director, his/her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

## Corporate Governance Report

### Director Nomination Procedure

Subject to the provisions of the Articles of Association and the Listing Rules, if the Board determines that an additional or replacement Director is required, the Nomination Committee will deploy multiple channels for identifying suitable candidates, including referral from Directors, Shareholders, management, advisors of the Company and external executive search firms.

Where a retiring Director, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to the Shareholders prior to a general meeting in accordance with the Listing Rules.

Shareholders may nominate a person to stand for election as a Director at a general meeting in accordance with the Articles of Association of the Company and applicable laws and regulations. The procedures for such proposal are stated as followed.

- (a) Considering the current composition and size of the Board, and developing an appropriate list of functions of candidates, including specialized skills, experiences, cultural background and other suitable perspectives.
- (b) Selecting suitable candidates through consulting various source, such as recommendations from existing Directors, independent agency firm and Shareholders.
- (c) Holding a meeting or delivering a written resolutions to the Board, to acquire and approve the recommendation for appointment after evaluating the suitability of the candidates;
- (d) Providing the relevant information of the selected candidate to the remuneration committee of the Company for consideration of remuneration package of each selected candidate;
- (e) Interviewing the selected candidate by the member of Board who are not members of the Nomination Committee, and the Board will thereafter decide the appointment;
- (f) All appointment of Directors will be confirmed by the signing of the consent to act as Director, and filling the relevant forms under the requirements of the Companies Registry of Hong Kong. The announcement related to appointment should be published on the website of the Stock Exchange in accordance with the Listing Rule;
- (g) In accordance with the Articles of Association and the Listing Rules, The selected Directors will hold office until the first general meeting of the Company after the appointment and be subject to re-election at such meeting, and thereafter be subject to retirement by rotation and re-election at annual general meetings.

The Board will from time to time review the Nomination Policy and monitor its implementation to ensure its continued effectiveness and compliance with regulatory requirements and good corporate governance practices.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision C.1 of the CG Code. It is also responsible for reviewing the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.



## Corporate Governance Report

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2022. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the Independent Auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 91 to 95 of this annual report.

### DIVIDEND POLICY

The Company has adopted a Dividend Policy which stated that in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder's value. The Board may determine and pay to the Shareholders such interim dividends as it considers appropriate, and recommend the payment of final dividends which are required to be approved by the Shareholders in general meetings.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors:

- the actual and expected financial performance of the Group;
- economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group;
- the Group's business strategies and operations, including future cash commitments and investment needs to sustain the long-term growth of the business;
- the current and future liquidity position and capital requirements of the Group; and
- any other factors that the Board deems appropriate.

The Company does not have any pre-determined dividend payout ratio.

### AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services provided to the Group for the year ended 31 March 2022 is set out below:

<b>Services rendered</b>	<b>Service Category Fees Paid/ Payable RMB'000</b>
Audit service	2,500
Non-audit services	—

There is no change in the external auditor of the Company in the past three financial years.

## Corporate Governance Report

### RISK MANAGEMENT

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management system and reviewing the effectiveness of such system on an ongoing basis and annual basis. The ultimate goal of our risk management process is to bring focus and effort to the risk issues in our business operations that create impediments to our success. Our risk management process starts with identifying the major risks associated with our corporate strategy, goals and business operation. We have adopted risk management policies to assess our risks in terms of their likelihood and potential impact, and then prioritise and pair each risk with a mitigation plan. We provide training to our employees and encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analysing risks associated with its function.

Our audit personnel, the Audit Committee, and ultimately the Board supervise the implementation of our risk management policy at the corporate level by bringing together operating departments, which include the Research and Development Department, and the Procurement and Marketing Department, to collaborate on risk issues among different functions. They are responsible for evaluating potential market risks related to fluctuations in industrial environment and market variables, identifying irregularities in connection with operational, credit and market risks, and formulating policies and resolutions to mitigate or resolve these risks. For details about the qualifications and experience of the members of the Audit Committee of and the Board, please refer to the section headed “Biographical Details of Directors and Senior Management” in this annual report.

### INTERNAL CONTROL

It is the responsibility of the Board to ensure that our Company maintains sound and effective internal controls to safeguard the Shareholders’ investment and our Group’s assets at all times and review the effectiveness of internal control system on an ongoing basis and annual basis. We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving effective and efficient operation, reliable financial reporting and compliance with applicable laws and regulations. The internal control system is designed to provide reasonable (though not absolute), assurance against material misstatement or loss and to manage (rather than complete elimination) the risk of failure to achieve business objectives. Highlights of our internal control system include the following:

#### Code of conduct

Our code of conduct explicitly communicates to each employee our values, acceptable criteria for decision-making and our ground rules for behaviour.

## Corporate Governance Report

### Anti-corruption measures

We have internal anti-corruption policies and procedures in place to ensure our compliance with the relevant anti-corruption laws and regulations as well as to prevent the occurrence of bribery, corruption or fraudulent practice by our Directors and employees. Our internal anti-corruption policies and procedures include but not limited to (i) requiring the employees to report any conflict of interest situation prior to submission of tender and any time they became aware of a conflict of interest after a tender has been submitted; (ii) strictly prohibiting collusion with other companies or employees of other companies for tenders; (iii) requiring employees to avoid conflict of interest by not putting himself in a position of obligations towards the supplier, customers or tender receiver; (iv) strictly prohibiting paying or receiving bribes, kickbacks, luxury goods or monies from suppliers and paying expenses or donations for customers or any individuals; (v) requiring business entertainments to comply with internal policies, obtain prior approvals and file written forms internally; (vi) strictly prohibiting solicitation or acceptance of advantage from suppliers and customers for house renovation, wedding and funerals, arranging work for spouses or children, provide convenience for travel abroad and travelling; and (vii) strictly prohibiting the introduction of family and friends to customers and suppliers to engage in business activities together. We have also established parameters that serve as guidance for our employees to identify and report misconduct, and require new employees to go through anti-bribery training as part of their induction training. Employees who have violated the terms of our internal anti-corruption policies and procedures will be subject to penalties which include warnings, demotions, salary reduction and termination of employment. Those suspected of committing crimes will be reported to the relevant government or judicial authorities for investigation. Furthermore, any business partners that have violated our internal anti-corruption policies and procedures will be subject to termination of business cooperation and we reserve the right to seek investigation and damages. Our Directors have confirmed that during the year ended 31 March 2022 and up to the date of this annual report, they had not engaged in, and have not been aware of, any bribery, corruption or fraudulent practice by our Directors and employees. Our Directors have further confirmed that during the year ended 31 March 2022 and up to the date of this annual report, as far as they are aware, our Group had not been subject to any anti-corruption claims or investigations by the relevant authorities.

### INTERNAL AUDIT

Our internal audit function regularly monitors key controls and procedures in order to assure our management and Board that the internal control system is functioning as intended. The Audit Committee is responsible for supervising our internal audit function.

Audits are conducted according to the internal audit plan approved by the Audit Committee to review the Group's major operational, financial, compliance and risk management controls. During the process of the internal audits, the Audit Committee will identify internal control deficiencies and weaknesses and propose recommendations for improvements. Internal audit findings and control deficiencies are communicated to internal audit team and the management, who is responsible for ensuring that the deficiencies are rectified within a reasonable period. A follow-up review will also be performed to ensure that the remedial actions are implemented.

### REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard the Shareholder investments and Group assets. For the year ended 31 March 2022, the Board along with the Audit Committee has conducted a comprehensive review of the Company's risk management and internal control systems. The review has covered the fiscal year of 2022 and all material controls which include operational, financial and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and adequate. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programs and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and adequate.

## Corporate Governance Report

### INSIDE INFORMATION

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance and the Listing Rules. The Company has implemented procedures and internal controls for the handling and dissemination of inside information, which include:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;
- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirements under the Listing Rules and the related guidance.

### COMPANY SECRETARY

During the year ended 31 March 2022, Ms. Chan Tsz Yu (“**Ms. Chan**”) was the Company Secretary of the Company, reported directly to the Board and was responsible for, inter alia, providing updated and timely information to all Directors from time to time. During the year ended 31 March 2022, Ms. Chan had undertaken not less than 15 hours of relevant professional training in accordance with Rule 3.29 of the Listing Rules.

Ms. Oh Sim Yee (“**Ms. Oh**”) has been appointed as the Company Secretary and Authorised Representatives of the Company with effect from 29 June 2022. Ms. Oh is a Corporate Secretarial Executive of SWCS Corporate Services Group (Hong Kong) Limited and has over nine years of experiences in the corporate secretarial field. She is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom since 2017. In addition, she holds a Bachelor of Business Degree in Accounting from the Victoria University, Australia.

The primary contact person of Ms. Oh in the Company is Mr. Yau Kok San, the Executive Director of the Company.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group’s business performance and strategies. The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings and other extraordinary general meetings.

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

## Corporate Governance Report

The website of the Company ([www.tathongchina.com](http://www.tathongchina.com)) provides comprehensive and accessible news and information of the company to the Shareholders, other stakeholders and investors. The Company will also update the website information from time to time to inform the Shareholders and investors of the latest development of the Company.

The Board has conducted an annual review on the implementation and effectiveness of our Shareholders' Communication Policy, and concluded that the policy has been implemented effectively during the reporting period.

### SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolutions should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

#### Convening an Extraordinary General Meeting

Pursuant 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 one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board shall fail 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 requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### Putting Forward Proposals at General Meetings

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for the Shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a Director, please refer to the "Procedures For Shareholders To Propose A Person For Election As A Director Of The Company" which is posted on the website of the Company.

#### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, the Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

#### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 40/F., Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong  
(For the attention of the Board of Directors)

Email: [shareholder.enquiry@tathongchina.com](mailto:shareholder.enquiry@tathongchina.com)

For the avoidance of doubt, the Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

## Corporate Governance Report

### CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2022, the Company has not made any changes to its Memorandum and Articles of Association. A copy of the Memorandum and Articles of Association of the Company is available on the websites of the Company and the Stock Exchange.

The Stock Exchange has recently announced various amendments to the Listing Rules to implement the proposals under the “Consultation Conclusion Paper on Listing Regime for Overseas Issuers” published on 19 November 2021.

The amendments to the Listing Rules have already taken effect from 1 January 2022 and include the introduction of one common set of core shareholder protection standards (set out in Appendix 3 to the Listing Rules) that will apply to all listed issuers to provide the same level of protection to all investors. To conform with the core shareholder protection standards, the Directors recommended that the Memorandum and Articles of Association of the Company be amended. A proposal on amending the Memorandum and Articles of Association and the adoption of a new Memorandum and Articles of Association will be put forward at the forthcoming 2022 AGM and details of the proposed amendments are set out in the circular of the Company dated 27 July 2022.

# Environmental, Social and Governance Report

## ABOUT THE REPORT

Tat Hong Equipment Service Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”, “**We**”, “**our**” and “**us**”) are pleased to publish the second Environmental, Social and Governance (ESG) Report. This ESG report reflects the Group’s performance on sustainable development in a well-balanced manner, which covers environment, compliance operation, product quality and services, supply chain management, information management, and social responsibility. We discuss every aspect individually in this ESG report. Please refer to the “Corporate Governance Report” section in our latest annual report or visit the Group’s official website for further details about the Group’s corporate governance.

## REPORTING PERIOD

Unless otherwise specified, this ESG report covers the period from 1 April 2021 to 31 March 2022 (the “**Year**”).

## REPORTING SALUTATION

For ease of presentation and reading, “the Group”, “We”, “our” and “us” in this ESG report refer to Tat Hong Equipment Service Co., Ltd. and its subsidiaries, whereas “the Company” refers to Tat Hong Equipment Service Co., Ltd.

## REPORTING SCOPES

The content of this ESG report covers ordinary operations of the Group and its subsidiaries. It also discloses environmental key performance indicators (“**KPIs**”) of the Group and its subsidiaries. Compared with the ESG Report 2021, KPIs reporting coverage is adjusted from “the Group’s headquarters” in 2021 to “all offices and subsidiaries of the Group”.

## REPORTING STANDARD

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**Guide**”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), and has complied with the “comply or explain” provision in the Guide. Readers may refer to the last chapter of the ESG Report — “Appendix II: HKEX ‘Guide’ Index” for details on how the provisions of the Guide are adhered to. This ESG Report also complies with the reporting principles of “materiality”, “quantitative”, “balance”, and “consistency”.

Principle of “materiality”: In preparation of this ESG report, material stakeholders have been identified and formed the basis for the Board of Directors to assess material issues.

Principle of “quantitative”: This ESG report discloses the key indicators at the environmental level and the key performance indicators at the social level, with descriptions explaining their purposes and impacts. At the same time, it compares key performance indicators with that in the previous year.

Principle of “balance”: This ESG report gives a true and fair view of the Group’s current status of operation and management.

Principle of “consistency”: This ESG report applies the same methodology for data collection as the ESG Report 2021. Reliable comparisons are made with the data of the previous year.

## DATA DESCRIPTION

The information used in this ESG report includes information about the Company and its subsidiaries and is free from any false record, misleading statement or material omission.

## REPORTING LANGUAGE

This ESG report is published in both Chinese and English. In case of any discrepancy, the Chinese version shall prevail.

## CONTACT INFORMATION

The Company highly values your comments on this ESG Report. If you have any enquiries or suggestions, please send them to [ESG.enquiry@tathongchina.com](mailto:ESG.enquiry@tathongchina.com).

# Environmental, Social and Governance Report

## 1. STATEMENT OF THE BOARD OF DIRECTORS

### 1.1 Supervision

The Board of Directors is responsible the Company's ESG governance which includes:

- All strategic decisions and regulatory work related to ESG, and take responsibility for information disclosure of this ESG report;
- Identify material ESG issues of the Group during the Reporting Period, and include these issues in the materiality analysis of the year;
- Formulate ESG key performance indicators to ensure that the Group's ESG risk management and internal monitoring system are under control;
- Approve this ESG report.

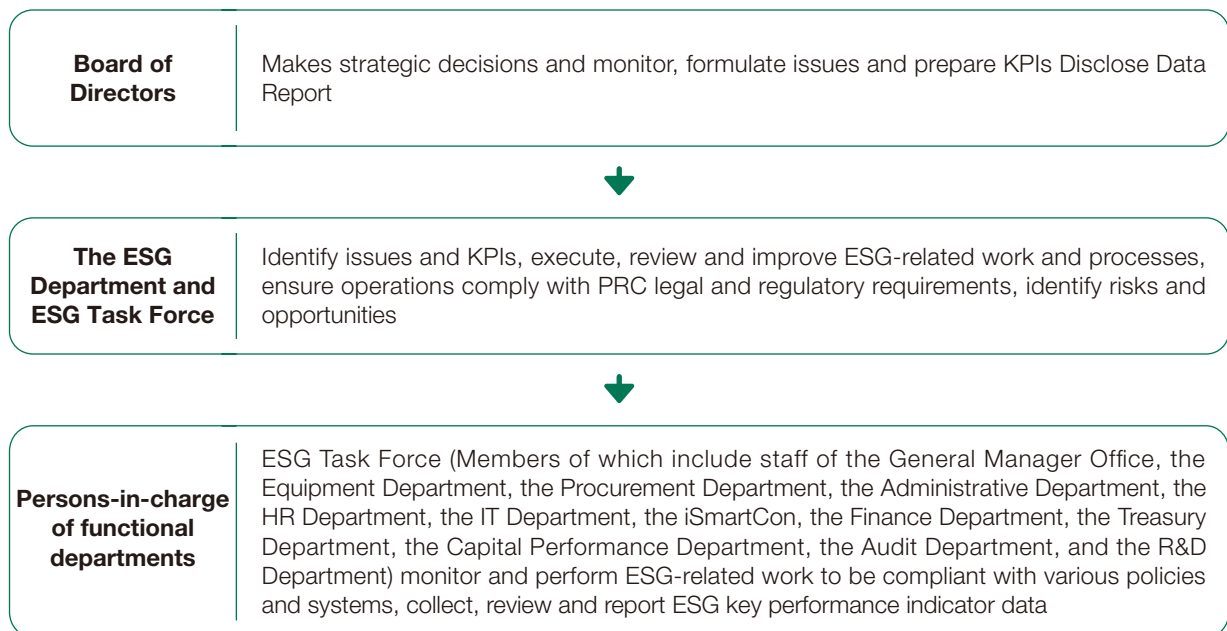
During the past year, the Company had further enhanced its ESG governance structure under the Board of Directors. The ESG Department (the "**ESG Department**") is responsible for coordinating and organising the Group's ESG-related tasks, whereas the ESG Task Force (the "**ESG Task Force**") is responsible for implementing policies and systems.

The Board of Directors has authorised the ESG Department to identify any ESG issues that have a material impact on the Group's ordinary operations and stakeholders, as well as to regularly review and improve ESG-related tasks and processes, in order to perform updates and improvements in a timely manner. In particular, it is required to ensure that the Group's operations comply with PRC legal and regulatory requirements, and that information disclosure complies with the requirements of the Stock Exchange.

Executive Directors are responsible for the setting up and supervision of our ESG Task Force and to understand the impact of various ESG factors on our business development, which includes any possible risks and opportunities. ESG policies and responsibilities are integrated into the Company's ordinary operation activities and in line with the Company's business development need to enhance the Company's performance and influence on sustainability.

Under the authorisation of the Board of Directors, the ESG Task Force cooperates with the persons in charge of the functional departments from the Group's headquarters to execute various ESG-specific tasks. ESG key performance indicator data are collected, reviewed, and reported, to ensure the Group complies with different ESG-related policies and systems.

The Group's ESG governance structure is as below:





# Environmental, Social and Governance Report

## 1.2 Implementation

Sporadic COVID-19 outbreaks in 2019 had created enormous challenges and opportunities for our society, environment, and every single business. The Board of Directors strongly believes that an outstanding ESG governance is the cornerstone to promoting sustainable development of the Group, and hence, it is necessary to implement all three elements of social, environmental, and economic considerations into our ordinary business operations and the Group's core values. Through understanding and analysing the Group's products and services, business missions, information management, personnel management, energy-reduction and emission-reduction, and society management during board meetings held this year, material ESG risk factors are identified to formulate ESG KPIs for both this year and next year.

The Group has expanded the scope of data collection this year. We will refer to the data in the next 3–5 years and set up annual benchmark data once the data is stabilised.

We have identified the follows environmental qualitative and social qualitative indicators.

Environmental qualitative indicators:

- 1) Reduce emissions of air pollutants such as sulphur oxides, nitrogen oxides and particulate matter;
- 2) Reduce emissions of greenhouse gases;
- 3) Reduce emissions of waste;
- 4) Reduce usage of water, electricity and paper; and
- 5) Attain zero environment-related violations.

Social qualitative indicators:

- 1) No material incident related to social responsibility;
- 2) Provide employees with a sustainability plan;
- 3) Provide employees with a safe and fair work environment; and
- 4) Provide high-quality products and services, so as to increase customer satisfaction.

## 1.3 Repair and Improvement

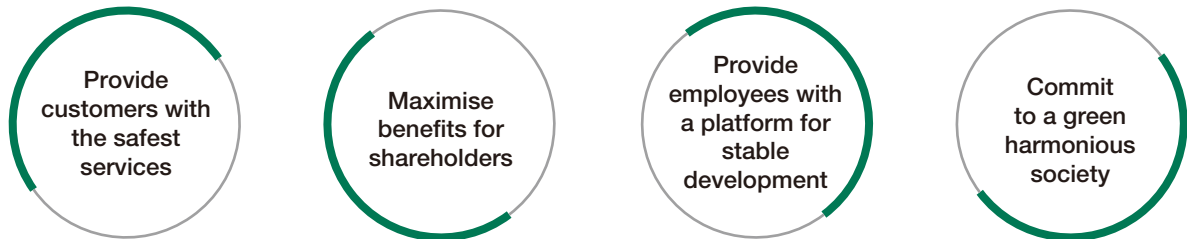
The Board of Directors attaches great importance to the supervision of ESG, Directors will continue to monitor the Group's ESG-related work, manage and review the performance of ESG-related policies, and supervise the collection of ESG KPIs data from each subsidiary on a regular basis to conduct aggregate analyses. Relevant risk management and effective internal control system have also been established. The management monitors the implementation of the internal control system and will make the necessary adjustments. At the same time, the Board of Directors will review reports about the performance of ESG policies and the system effectiveness regularly, and will provide suggestions after taking into consideration current social and business environment changes. With these measures, the Board of Directors will be able to enhance the governance structure of ESG continuously.

# Environmental, Social and Governance Report

## 2. ESG STRATEGY

Upholding its core values “Virtue, Safety, and Excellence”, the Group always place priority on the sustainable development of our employees, business and society. It is not merely a code of conduct for all our employees in business operations and daily life, but also an emblem of the Group’s social responsibility, mission and commitment.

The Group’s missions:



To better fulfill our mission and respond to the adverse impact of the global COVID-19 epidemic, extreme weather, macro policy regulation, and rapid development of the Internet, the Group will continue to make timely adjustments and to enhance the governance and implementation of various ESG work, and form sustainable business partnerships with various stakeholders.

## 3. ABOUT THE GROUP

Tat Hong Equipment Service Co., Ltd., China’s first foreign-funded tower crane service provider, provides one-stop tower crane solution services, which include consultation, technical design, commissioning, construction and after-sales service for Chinese Special-tier and Tier-1 Engineering Procurement Construction (the “**EPC**”) contractors since 2007.

We have participated in numerous major EPC projects in China since our commencement of business. With our extensive operational experience of over 15 years in the tower crane service industry, we have in-depth industrial knowledge and strong technical capabilities to capture the significant market opportunities presented by the high growth of the PRC tower crane service market in the recent decade. Our main customers are Chinese Special-tier and Tier-1 EPC contractors and our three largest customers are China State Construction Engineering, Shanghai Construction Group and China National Nuclear Corporation. Our projects can be classified into six sectors: **Infrastructure, Clean energy, Conventional energy, Public building and factory, Commercial, and Residential sectors**. We place special attention in prefabricated construction and environmentally clean energy projects.

As of 31 March 2022, the Group had initiated 206 expected projects, 288 projects in progress, and 42 projects on hand not yet started in the year. Among those projects in progress, 41 are prefabricated construction projects, and 12 are clean energy projects.

# Environmental, Social and Governance Report

We have participated in the following landmark projects during the year:

Residential:	Clean Energy:	Public Building and Factory:
<ul style="list-style-type: none"> <li>Shanghai Dongtan Demonstration Zone Lot Unit CMS-0501 <b>Commercial House Project</b></li> <li>China Construction Eighth Division <b>Anju Shenyi Village</b> Engineering Procurement Construction (EPC) Project</li> <li>Huaxing Construction Nanjing Luhe <b>Lot AB</b> EPC Project</li> <li><b>Nanjing Suning Ruicheng</b> Project</li> </ul>	<ul style="list-style-type: none"> <li>Guangdong Qingyuan <b>Waste Incineration Power Plant Project</b></li> <li>Anhui No.2 Electric Power Construction Hefei <b>Feidong Waste Incineration Plant</b></li> <li><b>9 Nuclear Power and 1 LNG</b> Projects</li> </ul>	<ul style="list-style-type: none"> <li><b>Chinese Memory Chip</b> Phase II</li> <li><b>Alibaba Cloud-computing Data Center</b> (Zhejiang &amp; Jiangsu &amp; Guangdong)</li> <li>Dongguan <b>OPPO Smart Manufacturing Center</b></li> <li>Hang Zheng Chu Chu Lot 43 Business and Financial Building Project (<b>Hangzhou Center</b>)</li> <li><b>Guangzhou Canton Fair Pazhou</b> Phase IV Project</li> </ul>
		
<p><b><u>Nanjing Suning Ruicheng Project</u></b></p>	<p><b><u>Ningde Nuclear Power</u></b></p>	<p><b><u>Guangzhou Canton Fair Pazhou Phase IV Project</u></b></p>

## Environmental, Social and Governance Report

Infrastructure:	Conventional Energy:	Commercial:
<ul style="list-style-type: none"> <li>Dongguan <b>Dongjiang South Tributary Harbour Bridge</b> Project</li> <li>Zhongshan <b>Shenzhen-Zhongshan Bridge</b> Slices S04 Project</li> <li><b>New Beijing Airport</b> Ground Source Heat Pump Project</li> <li>Guizhou <b>Deyu High-speed Railway</b></li> </ul>	<ul style="list-style-type: none"> <li>Jingneng Chagannao'er <b>Power Plant 2x660MW Unit</b> Project</li> <li><b>Huaneng Dalian Electricity Project</b></li> <li><b>Changtang Power Plant 2x660MW Unit</b> Project</li> <li>Guangdong Thermal Power <b>Xinjiang North No.4 Power Plant</b></li> </ul>	<ul style="list-style-type: none"> <li>Hongqiao Airport Terminal 2 North <b>Auxiliary Facility Business Building</b> Project</li> <li>Shanghai Construction No.1 <b>Shanghai Qiantan</b> Lot 21-02/03 Project</li> <li><b>Lingang Special Area</b> Unit PDC1-0401 Lot K05-01 Project</li> <li>Tianjin <b>Semiconductor Manufacturing International Corporation</b> Project</li> <li><b>Shanghai Huanjiang</b> Lot E06 Project</li> </ul>
 <p><b>Shenzhen-Zhongshan Bridge</b></p>	 <p><b>Xinjiang North No.4 Power Plant</b></p>	 <p><b>Shanghai Huanjiang Lot E06 Project</b></p>

As of 31 March 2022, the Group managed 1,180 tower cranes with the total tonne metre in use of 3,112,084 at 81% utilization. In the past five years, around 45% of the Group's projects and equipment were based in Eastern China. In January 2019, in order to improve operational efficiency, we established Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd.\* (江蘇融合達豐機械工程有限公司) in Yizheng, Jiangsu Province, the PRC. With its remanufacturing capabilities, it aims to provide high quality services in tower crane repair and fabrication, and thereby create a healthy ecosystem and market for the remanufacturing of tower cranes with sustainable "green and energy saving" characteristics.

We are concurrently operating eight tower crane yards in Hefei, Wuxi, Taicang, Chongqing and Dongguan, China, providing storage of equipment and general repair and maintenance services.

## Environmental, Social and Governance Report

In the current development of infrastructure and buildings in China, the PRC Government is committed to promote prefabricated construction and carbon neutrality. The Group will continue to focus on growing its large and medium size tower crane in the fleet, and enhance the remanufacturing and processing capabilities for tower cranes and its ancillary structural components. We strive to establish a foundation for sustainable development of energy saving and environmental friendly tower crane service industry value chain. We will continue to focus on participating in Special-tier and Tier-1 EPC projects, and pay close attention to any opportunity brought by government-led initiatives such as the Yangtze River Delta, Hainan Free Trade Zone and Guangdong-Hong Kong-Macao Greater Bay Area, in an effort to take responsibility for the harmonious development of our society.

We have also received numerous awards and recognitions from our customers, forums and government authorities, such as, One of the top 20 tower crane rental companies in China issued by the Organizing Committee of World Tower Crane Summit & China Tower Crane Rental 100 Forum and China Construction Machinery Magazine, the Certificate of Enterprise Credit Grade AAA (企業信用等級證書AAA級) issued by the China Construction Industry Association (中國建築業協會), and Safety Production Advance Enterprise Award (安全工作先進企業) issued by the Shanghai Development Safety Association (上海市建設安全協會).

### Honours & Awards received in this year

Since 1 April 2021, the Group has received the following awards from our customers and government departments:

Awards	Awarded Company	Picture of the actual Award
<b>Honorary Credential of Outstanding Enterprise 2021</b> <i>Xinhong Street, Minhang District, Shanghai</i>	Tat Hong Zhaomao Investment Group Co., Ltd.* (達豐兆茂投資集團有限公司)	
<b>Core Sub-supplier 2021</b> <i>China Construction Third Engineering Bureau Group Beijing Co., Ltd.* (中建三局集團北京有限公司)</i>	Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.* (江蘇眾建達豐機械工程有限公司)	
<b>AAA Grade Construction Machinery Leasing Integrity Enterprise</b> <i>Shanghai Construction Machine Trade Association</i>	Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.* (江蘇眾建達豐機械工程有限公司)	

# Environmental, Social and Governance Report

Awards	Awarded Company	Picture of the actual Award
<p><b>China Top 20 Large Tonnage Tower Crane Rental Company</b> T50 Summit of World Construction Machinery Industry</p>	<p>Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.* (江蘇眾建達豐機械工程有限公司)</p>	
<p><b>China Top 20 Tower Crane Rental Company</b> T50 Summit of World Construction Machinery Industry</p>	<p>Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.* (江蘇眾建達豐機械工程有限公司)</p>	
<p><b>Quality Service and Sincere Cooperation</b> China Construction Eighth Engineering Bureau Shanghai* (中建八局滬)</p>	<p>Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.* (江蘇眾建達豐機械工程有限公司)</p>	
<p><b>Member of Jiangsu Financial Leasing Association</b> Jiangsu Financial Leasing Association</p>	<p>江蘇恒興茂融資租賃有限公司</p>	
<p><b>Jiangsu Out-of-province construction Outstanding Public 2021</b> Department of Housing and Urban-Rural Development of Jiangsu Province</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	

# Environmental, Social and Governance Report

Awards	Awarded Company	Picture of the actual Award
<p><b>China Top 20 Large Tonnage Tower Crane Rental Company 2021</b>  <i>Organizing Committee of World Tower Crane Summit &amp; China Tower Crane Rental 100 Forum</i></p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.*                      (中核華興達豐機械工程有限公司)</p>	
<p><b>China Safety Industry Association Safety Management and Machinery Rental Service Section Vice President</b>  <i>China Safety Industry Association</i></p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.*                      (中核華興達豐機械工程有限公司)</p>	
<p><b>China Top 10 Tower Crane Rental Company</b>  <i>T50 Summit of World Construction Machinery Industry</i></p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.*                      (中核華興達豐機械工程有限公司)</p>	
<p><b>Excellent Supplier 2020-2021</b>  <i>China Construction Eighth Engineering Division. Corp. LTD</i></p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.*                      (中核華興達豐機械工程有限公司)</p>	

# Environmental, Social and Governance Report

Awards	Awarded Company	Picture of the actual Award
<p><b>Efficient management, Excellent service, Outstanding safety, and Sincere cooperation</b> China Construction Fourth Engineering Division Corp. LTD Guangzhou Cantonese Opera House Project</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	
<p><b>2021 Guangdong Province Construction Hoisting Machinery Leasing and Installation Enterprise Credit Rating Certificate</b> Construction Industry Safety Association of Guangdong Province</p>	<p>Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd.* (常州達豐兆茂機械工程有限公司)</p>	
<p><b>Grade AAA Construction Machinery Leasing Integrity Enterprise</b> Shanghai Construction Machinery Association</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	
<p><b>Vice President</b> Construction Industry Safety Association of Guangdong Province</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	
<p><b>China Top 10 Equipment Rental Company</b> T50 Summit of World Construction Machinery Industry</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	
<p><b>Jiangsu Construction Machinery and Metal Structure Association Member Certificate</b> Jiangsu Construction Machinery and Metal Structure Association</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	
<p><b>Safe, Efficient, and High-quality</b> Shanghai Construction NO.5 (Group) Co., Ltd. Mechanical Engineering Corp.* (上海建工五建集團有限公司機械工程公司)</p>	<p>China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司)</p>	



## Environmental, Social and Governance Report

### 4. STAKEHOLDER ENGAGEMENT

Through different communication channels, the Group understands its stakeholders' concerns, which helps to raise its ESG management standard. Understanding the expectations and concerns of our stakeholders on corporate governance, management and sustainable development enables us to conduct objective assessments of the Group's ESG performance, as well as to identify and reduce any ESG deficiency in the Group. Feasible recommendations are also included in our ordinary ESG management to promote sustainable development and cooperation from the Group's stakeholders. Our stakeholders include, but not limited to, shareholders/investors, clients, employees, suppliers, media, society/non-government institutions, and government/regulatory institutions.

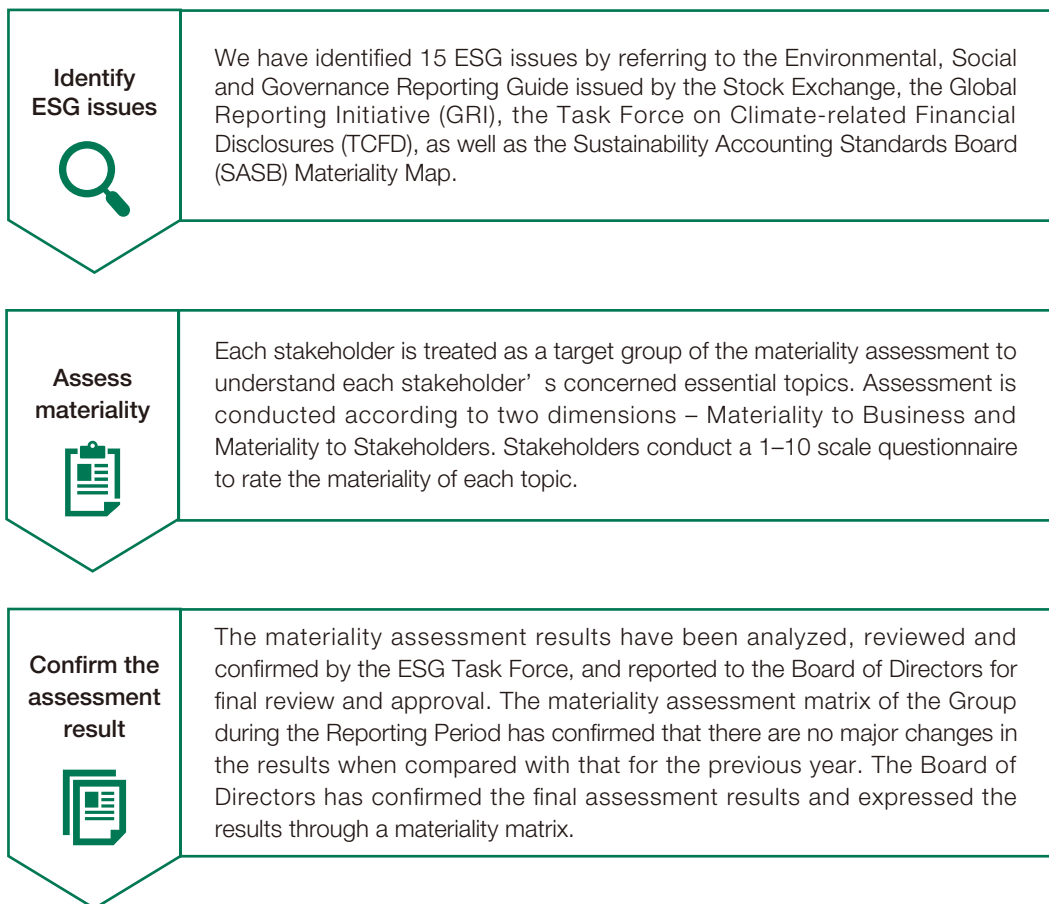
Stakeholders	Communication channels	Concerns and expectations	Communication outcomes
Shareholders/investors	Results announcement Circular, Interim report and annual report Investor conference Shareholders' meeting Corporate communication, such as email and telephone communication Investor conference Senior management meeting	Maximise profits for shareholders Comply with laws and regulations on corporate governance Disclosure of relevant critical information Operator with trust and integrity	Released Half Year and Annual Results Announcements Released Interim reports, circulars and annual reports Held annual general meetings Released announcements of critical business decisions
Clients	Client satisfaction survey Client service centre revisit Client regular visit Online service platform Official website, mail, and telephone communication	High-quality and diversified products and services Reliable and timely after-sale services Client satisfaction Business secret and information security	Stringent procurement standards Regular review, repair and maintenance of equipment Routine safety inspection of equipment Active and quick response to clients' needs Set permission to the Group's information system Comprehensive client management system
Employees	Employee satisfaction survey Employee performance self-evaluation and assessment Annual employee meeting Employee's regular training Worker Conference	Health and safety in work environment Employees' vocational training and self-development Protection of employees' right Work-life balance Reasonable and sound employee manual	Updated employee training guidelines Established worker representative association, to protect worker's basic right Provided diversified trainings to employees Provided reasonable and competitive salary and benefits Performed employee self-evaluation, to understand employees' future plans for themselves and for the Company Held annual employee meetings to enhance communication between management and staff
Suppliers	Supplier management process Supplier evaluation system Supplier meeting Supplier site investigation	Transparent supply chain process Time-sensitive supply chain Stringent and robust procurement system Anti-corruption related policies system	Stringent supplier criteria selection Executed and enhanced a robust supplier procurement system Anti-corruption training Efficient and transparent supply chain management mechanism
Government/regulators	Compliance report Written response to public consultations Monitor and inspection from regulators Attend seminars organised by Government organisations Government forum sharing activity	Product quality and safety Sewage, waste and pollutant emission Intelligent property right and patent technologies protection Reduce energy usage and water resource usage Law and regulations compliance	Actively participated in Government activities Promoted water-saving, electricity-saving concepts Reduced sewage and waste emissions Cooperated with environmental-friendly and safe waste processing centre Complied with industrial laws and regulations, operated with compliance and integrity
Society/non-government organisations	Charitable activity Donation Social activity Seminar/talk/workshop	Promote social welfare activities	Through opening its social media accounts, the Group strengthened its communications and connections with the social public Joined social welfare activities Voluntarily participated in anti-epidemic volunteer activities
Media	Results announcement Media Press Conference Official website of the Group Senior management interview	Responsive corporate marketing	During the Reporting Period, media press conference was held by teleconferences after the publication of results announcement Invited stock critics and financial media to participate and answer questions about the Company's operations and future plans

## Environmental, Social and Governance Report

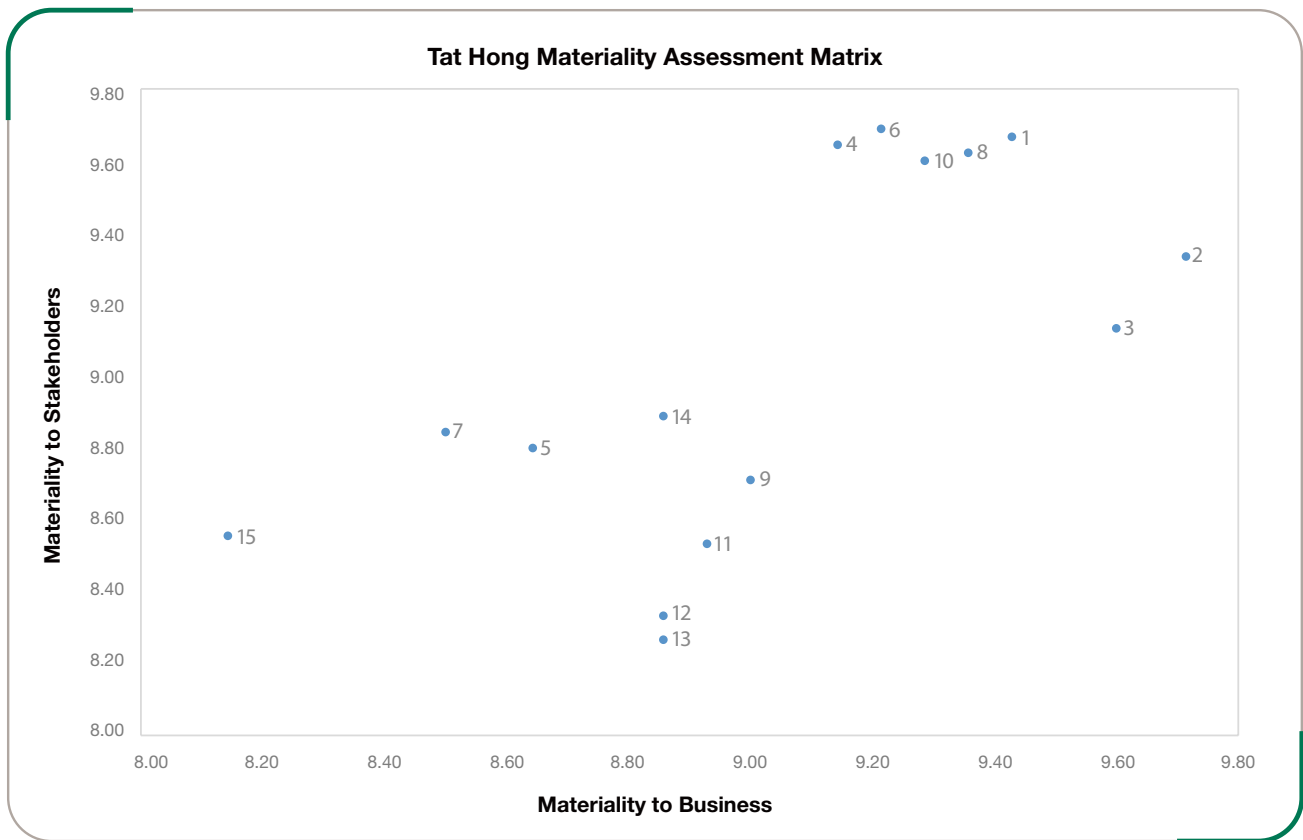
### 5. MATERIALITY ASSESSMENT ON ESG ISSUES

The ESG Task Force reported the results of ESG issues through a materiality matrix, and the Board of Directors confirmed the materiality assessment final result.

During the Reporting Period, in order to better identify and evaluate ESG issues that have a significant impact on its businesses and stakeholders, the Group had conducted a questionnaire survey with different internal and external stakeholders, as well as interviews and phone calls to identify any main disclosure for this ESG report. Our Board of Directors had participated in the materiality assessment to prioritise and identify material ESG-related issues. The steps of conducting a materiality assessment are as follows:



# Environmental, Social and Governance Report



### A. Economy and Operations

1. Compliance with laws and regulations
2. Health and safety of products or services
3. Customer services and satisfaction
4. Protection of customers' privacy
5. Supply chain management
6. Anti-corruption

### B. Employment and Labour Practices

7. Employment rights (e.g. work hours, holidays, benefits, promotion)
8. Occupational health and safety
9. Training and development of employees
10. Prevention of child labour and forced labour

### C. Environment

11. Waste management
12. Energy consumption and efficiency
13. Water consumption and efficiency
14. Minimise the adverse impacts on the environment and natural resources

### D. Society

15. Care to community

# Environmental, Social and Governance Report

## 6. OPERATIONAL PRACTICES

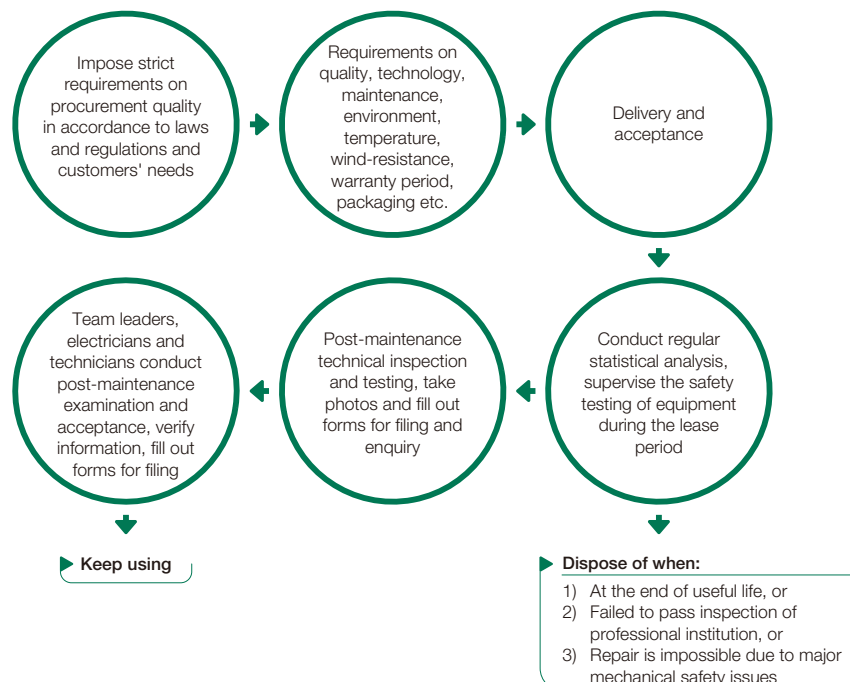
Adhering to its value of “excellence”, the Group aims to purchase and install for customers high-quality environmental-friendly tower cranes, spare parts, and accessories, offer a one-stop comprehensive service that fulfills their needs with cost efficiency, and secure several large projects with wide recognition. At the same time, with various management system controls, the Group’s ESG management efficiency is continually being enhanced. We not only pay attention to the improvement of tower crane operational efficiency and service quality but also focus on adhering to good business ethics. We will continue to maintain and improve the quality of project execution and delivery so as to achieve our vision of “being the best construction equipment service provider”.

### 6.1 Enhancing Product Quality

The Group establishes a stringent quality control system for both tower crane and related accessory procurement and tower crane regular maintenance. In purchasing machinery and equipment, the Group enters into sales contracts with terms that have strict quality requirements, technical requirements and warranty period. The Group only procures machinery and equipment that fulfill quality and technology standards of the PRC, for example, GB/T13752 Design Rules for tower cranes, GB/T5031 Tower cranes, GB5144 Safety Code for Tower Cranes, and also demands for structural steels with their strength, rigidity, overturning resistance, safety and reliability that fulfill the above requirements. Apart from the quality technology requirements, all purchased product must stipulate the terms on its environment and temperature requirements, wind-resistance, warranty period, warranty disclaimer, packaging, and acceptance, etc. in details. To ensure the health and safety of products, all equipment purchased by the Group must be accompanied by a Product Quality Certificate issued by a certification body. We do not use special equipment that has not been maintained in accordance with safety and technical specifications as well as that has not been inspected or failed to pass inspection. At the same time, the Group continues to purchase construction machinery and equipment all risks insurance, third parties insurance, cargo transportation insurance and employees insurance in accordance with the Company’s internal policy of the Insurance Operations to mitigate operational risks.

In addition, we have started to remanufacture several old tower cranes into “inverter” tower cranes, which help to increase efficiency and lead to energy-saving and emission reduction.

The Group operates in accordance with laws and regulations in China, such as the Product Quality Law of the People’s Republic of China, the Special Equipment Safety Law of the People’s Republic of China, the Regulations on Safety Supervision of Special Equipment and the Regulations on Safety Supervision and Management of Construction Hoisting Machinery; and standardises its product quality and maintenance management in accordance with internal policies, such as the Control Procedures for Equipment Leasing and Service Process and the Control Procedures for Tower Crane Maintenance Management, so as to effectively control the whole process of equipment leasing. For example, machinery and equipment are inspected, and maintained on a regular basis to ensure the safety of tower cranes and extend their service life. In particular, regular maintenance and self-inspection are conducted on special equipment.



## Environmental, Social and Governance Report

The Group has set up an internal Repair Management Program for Tower Cranes, which includes dismantling the equipment and sends back to the yards for thorough maintenance, managing the repair of malfunctioning equipment, managing the internal repairment orders for tower cranes and external repairment orders.

The Group did not recall any equipment for safety reasons during the Reporting Period.

### 6.2 Reliable Customer Service

We adhere to a client-oriented approach to provide clients with high-quality and reliable one-stop tower crane solutions. We strive to improve customer satisfaction, as well as protect customer privacy and data security. We have established a comprehensive customer service management system. We regularly communicate with customers to understand the latest market trend, technical solutions, and changes in customer needs. We also proactively satisfy customer needs, and increase customer stickiness and satisfaction, to facilitate long-term cooperation.

The six service commitments followed by the Group's customer service management system are as follows:

- 1) Safety First: Insist on putting safety first to protect clients' fundamental interests. Stand firm against unsafe work
- 2) Reverence for Clients: See things from clients' viewpoint, and negotiate terms after the work is done, client satisfaction is the result of good work
- 3) Maintenance without Delay: Fix unforeseen equipment failures immediately, putting off to the next day is not allowed
- 4) Prerequisite for Technical Service: Clients' technical problems should be solved before contracts are signed and tower crane-related work carried out at all stages
- 5) Unconditional Replacement: Any operator with whom clients are dissatisfied can be replaced unconditionally within 24 hours
- 6) Civilised Construction: Appearance of tower cranes and installation technical annotation must meet the requirements for civilised construction

On the principle of adhering to the six service commitments as our work ethics, the Group will continue to improve its Client Service Centre. The Group's Client Service Centre is not only involved in the tender preparation work in the early phase of projects, but also participates in the follow-up work in the contract fulfilment process, including the control of each work process, processing client complaint, and conducting client satisfaction survey. In the later stages, we will conduct client visits to understand clients' needs and implement improvements. We also provide individualised service to customers tailored to their needs.

#### **Three-Stage Process of the Client Service Centre**

**Tender Preparation:** Understand the business and technical requirements in client's tender document, coordinate parties such as the Project Management Centre, Research and Development Centre for Engineering Technology, Human Resources Administration Centre and subsidiaries, to gain a full understanding of the tender requirements and solve the issues in the quotation and tender documents. Prepare the tender documents along with technical solutions and keep track of any developments.

**Contract Fulfilment:** Monitor and report every step of the production process. The Client Service Centre sets up a 24-hour complaint hotline, which deals with complaints and facilitates communication with all kinds of clients.

**Project Wrap-up:** Arrange a return visit to the client within one month after the end of the project, focusing on the overall service in the duration of the project, conduct client satisfaction survey, collect feedback and opinion from clients and forward them to the relevant departments, conduct a review and an analysis on satisfaction, facilitate ratifications in each department and apply timely adjustments to workflow.



As of the end of the Reporting Period, customer complaints are responded within 24 hours, with a 100% response rate and 95% client satisfaction rate. During the Year, we processed a total of 48 complaints in relation to products and services, which were all tracked and processed until the cases are closed.

## Environmental, Social and Governance Report

### 6.3 Protection of Intellectual Property Rights

The Group has established a strict management system for intellectual property rights for effective prevention of potential operational risk in relation to intellectual property rights. We invest substantial resources and funds into the research of tower crane solutions. We value the investment in research which provides us with a first-mover advantage in the industry.

We strictly adhere to external regulations such as Trademark Law of the People's Republic of China, Regulation on the Implementation of the Trademark Law of the People's Republic of China, Patent Law of the People's Republic of China, Detailed Rules for the Implementation of the Patent Law of the People's Republic of China, Regulations on the Protection of Computer Software and Measures for the Registration of Computer Software Copyright, to protect the legal rights of the Group, maintain and promote the Group's core competitiveness in the industry. In our labour contracts with research personnel, we will enter with them a separate non-competition contract. For employees not directly involved in the research process but who have or might have access to trade secrets, we will also enter into a non-competition contract with them when necessary. We cultivate an awareness of intellectual property rights protection among our employees from their very first day of work.

Furthermore, employees are prohibited from disclosing confidential core technical contents in any form before patent and software registration.

We apply the research results of tower crane technical solutions to routine projects, continue to adopt new technologies, improve operation and service quality, lower costs and consumption and increase productivity.

Our research results are also applied in our Yangzhou Refurbishment Centre, for the intellectual remanufacturing of tower cranes, and the production of common spare parts and accessories, which can lower costs and increase profits. In addition, we will continue to seek cooperation with renowned universities and research centres, to enhance the exchange of intellectual property rights and facilitate the development of technology and patent for our crane tower service.

We rely on the combination of patents, trademarks, copyrights, domain names and contract rights to protect our intellectual property rights. During the Reporting Period, we have 77 utility models and invention patents regarding tower cranes, 17 software copyrights, and 35 registered domain names in use in the PRC. We have 29 patents in the process of application. The protection of intellectual property rights will enhance our competitiveness and reputation.

Online workflow systems developed by us (such as work approval system, and the iSmartCon platform) are used in our daily operation, especially during the pandemic. These online systems improved our work efficiency and helped us to achieve low-carbon operations.

## Environmental, Social and Governance Report

### 7. COMPLIANCE OPERATION

The Group strictly adheres to the relevant laws and regulations, such as the Bidding Law of the People's Republic of China, the Interim Provisions on Banning Commercial Bribery, the Anti-Money Laundering Law of the People's Republic of China, the Anti-Corruption Law of the People's Republic of China, the Criminal Law of the People's Republic of China, the Supervision Law of the People's Republic of China and Anti-Unfair Competition Law of the People's Republic of China. We strictly adhere to business ethics to ensure a stable business operation and promote sustainable corporate development.

#### 7.1 Formulation and Implementation of Anti-corruption System

The Group is devoted to building a corruption-free enterprise, maintaining order in economic activities, ensuring normal business exchange, preventing the occurrence of violations of laws or disciplines for seeking illegitimate interests and ensuring that employees are honest, incorruptible, and efficient, and creating a win-win outcome in business activities, building an excellent corporate image based on fair competition. We have established an internal anti-corruption policy and system to ensure compliance with anti-corruption laws and regulations and prevent the occurrence of bribery, corruption, and fraud among our Directors and employees. We also set up an anti-corruption system in accordance with relevant national laws and regulations and rules on building a clean governance system.

Employees who have violated the terms of our internal anti-corruption policies and procedures will be subjected to penalties which include warnings, demotions, salary reduction and termination of employment. Those who are suspected of criminal activities will be reported to the relevant government or judicial authorities for investigation. Furthermore, any business partners that have violated our internal anti-corruption policies and procedures will be subjected to termination of business relationship and we reserve the right to seek investigation and claims for damages. For Directors, supervisors, and senior management who have infringed laws, administrative regulations or company constitutions while performing their duties, they have to indemnify any damages caused to the Company. We have established the Tat Hong China Anti-Corruption System and Anti-Corruption Policies to regulate the code of conduct of employees and build a corruption-free enterprise.

#### 7.2 Requirements and Implementation of Employee's Code of Conduct

The Employee Handbook formulated by the Group requires every employee to always uphold honesty and integrity when discharging their duties without compromise. Employees should supervise each other, whenever unlawful, dishonest or immoral acts are discovered or suspected, we will issue warnings to ensure the strict adherence of the Group's code of conduct. Gifts (including travel and entertainment) received by employees during the normal course of business cannot exceed a certain value, employees and their families cannot offer gifts to or receive gifts from the Group's customers or suppliers. All other exchanges of gifts must be approved by supervisors and employers in advance. We also prohibit the employees from misusing their roles to perform any acts of bribery, fraud, embezzlement or seek personal gains. We have more stringent requirements for dealing with government authorities. Employees are prohibited from promising or giving out (whether directly or indirectly) any kind of remuneration, kickbacks, bribes, favours or benefits (whether in the form of cash, food and beverage, entertainment or otherwise) to government authorities or officers of any other authorities (including but not limited to the country in which the employee is residing). We adopt a zero-tolerance attitude towards bribery, fraud and corruption. We require all Directors and employees to comply with the disclosure obligations of connected transactions in accordance with the requirements of Chapter 14A of the Listing Rules. All Directors must comply with the disclosure requirements of material interests, including the timely disclosure potential or actual conflict of interest.

The above acts of infringement of the Employee Handbook will be met with penalties accordingly. Employees will face penalties such as verbal warning, written warning plus salary freeze, demotion and salary reduction, and even labour contract termination (disciplinary dismissal). Once verified, the labour contracts of employees who have accumulated 3 verbal warnings or 2 written warnings will be dismissed. Gross misconduct will result in immediate termination when verified.

## Environmental, Social and Governance Report

### 7.3 Surveillance and Whistleblowing

The Internal Audit Department of the Group is authorised to engage in anti-corruption risk management and control, seek external professional help when appropriate. This department is responsible for identifying potential risks of bribery, identifying and assessing any potential misconduct in each department, improving the Group's current system and procedures when needed, and ensuring the effective implementation of the Company's anti-corruption system and policies. The Group also imposes strict control on financial information. Different financial matters are assigned different authorities, a digitised financial system is utilised to reduce and prevent any possible misconduct arising from human error. Furthermore, we also strictly protect the confidential or proprietary information and materials of the Group, its customers or suppliers. Appropriate steps have been taken to prevent employee corruption, including safe file storage, restriction of access to computers and electronic medium and proper disposal, which prevent unauthorised access to information. When entering into business contracts with partners, we will perform due diligence to prevent corruption.

The Group's Anti-corruption Policy has a clear procedure for declaring conflict of interest and filing reports on corruption, with a defined supervisory structure:

The first supervisory structure is the business or functional department. We require each department to provide regular, target-oriented internal training on anti-corruption, instil an anti-corruption awareness in every employee and enhance their ability in identifying corruption. Any improper behaviour that cannot be prevented or has already occurred should be reported to the management of the department.

The second supervisory structure is the Audit Department of the Group. This Audit Department will discern the potential corruption risk in the Group's business, formulate a solution and risk control system to resolve the risk accordingly. It also conducts research, analysis and organise data on past incidents of corruption and bribery (if any), to further improve the anti-corruption policy. This Audit Department also assesses the effectiveness of internal control and risk management systems and ensure the smoothness and security of reporting channels. Corruption matters are investigated and dealt with by independent personnel. Any significant corruption matter and risk will be reported to management in time and reported to the Board when necessary.

The third supervisory structure is the Audit Committee and the Board of Directors. They are mainly responsible for 1) determining the risk level of corruption and the Group's risk tolerance; 2) determining whether the Group has a suitable management policy and internal control system for corruption risk; 3) ensuring the rigorous disclosure of corruption within the Group.

The Group has established a Whistleblowing Policy, to enable the employee who suspects of any fraud, corruption or misconduct that has occurred or is occurring within the Group, and believes its authenticity, to make a report with supporting evidence. This Whistleblowing Policy provides a reporting guideline and channel to employees, which encourages them to raise their concerns internally, instead of neglecting the problem or reporting to external sources. This can maintain a good corporate anti-corruption governance, establish an effective internal control and risk management system and continue to raise our transparency. We also disclose our reporting channel to the public, allowing more stakeholders to participate in the monitoring process and uphold our code of conduct.

We encourage but not mandate the whistleblower to provide contact information to facilitate our investigation, we will inform the whistleblower the progress and outcome of our investigation, raising their trust in our commitment in anti-corruption. We will hold the informant's information in strict confidence and adopt measures to protect the informant from retaliation.

<b>Reporting platform</b>	andreaguo@tathongchina.com
<b>Complaint channel</b>	Hotline: +86(21)60825373808
<b>Report by mail</b>	Room 601, Building 8, PortMix. No. 2377 Shenkun Road, Minhang District, Shanghai



## Environmental, Social and Governance Report



During the Reporting Period, there is no event or legal case of corruption, fraud and commercial bribery within the Group or its subsidiaries

During the Reporting Period, the Group and its subsidiaries have not been subject to any external investigation or sanction in relation to corruption

### 7.4 Establishing a Corruption-free Culture

During the Reporting Period, the Group provided anti-corruption training to all Directors, senior management and employees. The ESG Team participated in external anti-corruption training and provided anti-corruption training to all employees through online seminars, which included lectures and case sharing. By teaching the anti-corruption legal framework and corporate compliance in anti-corruption measures in the PRC and Hong Kong, we will enrich employees' knowledge and raise their awareness in anti-corruption, which reinforced our moral bottom line.

In March 2022, the Group conducted an online seminar for anti-corruption, which promoted anti-corruption, anti-fraud and anti-commercial bribery. The seminar included an online Q&A session about anti-corruption, ensuring the effectiveness of our training and also promoting anti-corruption awareness. The information we collected on anti-corruption was sent to the Directors of the Company, which created an anti-corruption environment at all levels of the Group and showcased our emphasis and determination in eradicating corruption.

## 8. SUPPLY CHAIN MANAGEMENT

The Group continuously updates the Equipment Procurement Management procedure to enhance the Group's sustainable supply chain management, standardise the equipment procurement process of the Group, and adopt a standardised ESG management of the suppliers. We also strictly adhere to laws and regulations such as the Government Procurement Law of the People's Republic of China.

Before making procurement, the Group will request quotations from at least three suppliers and then perform a supplier review. We require the supplier to supply crane towers, spare parts and accessories strictly in accordance with the Group's technical specifications and quality requirements, and to provide a quality inspection report. To ensure product quality, the Group's Procurement And Quality Control Team will perform random on-site inspection on the production process and quality control system of the supplier. Apart from quality control, we also focus on the environmental risk management of the supplier. We prioritise suppliers who are more environmentally conscious and energy efficient, to encourage the ESG environment performance management of the supplier. After receiving the products, we will conduct consistent evaluation on the supplier. We believe this will make our equipment safer and more reliable, as well as raise the supply chain management standard of the Group and lower the product quality risk in our ESG management.

We also emphasise the social risk of supplier management. When inspecting and evaluating the qualification of suppliers, we will require them to showcase their compliance with laws and regulations related to employment, occupational health and safety, labour standard, anti-corruption and their practice. If a supplier's actions and procurement are not in line with the Company's policies, we will cease cooperation until the supplier makes improvements to fulfil the Group's requirements and code of conduct.

## Environmental, Social and Governance Report

In addition, we will conduct Supplier Qualification Review annually on existing suppliers to determine their grade, which provides support information for future procurement, resulting in a more effective and safe procurement management.

The Group's employees must strictly adhere to the Employee Handbook during procurement, procurement must be done fairly and justly, with an uncompromising standard of integrity and honesty. To avoid a conflict of interest, they should avoid giving out or receiving any kind of remuneration, kickbacks, bribes, favours or benefits. Employees are required to report and disclose any possible relationships with suppliers. Confidential and proprietary information of suppliers and the Group shall be kept in strict confidence.

When purchasing equipment and accessories, we will give priority to eco-friendly suppliers. We are aware that environment protection is a future trend, therefore, we are committed to promoting green purchasing and selecting suppliers based on strict environmental criteria. We select or require the supplier to use reusable packaging to reduce waste production. We will try our best to choose suppliers who are located near the destination of the equipment or materials, to reduce excess greenhouse gas emitted from long-haul transportation.

During the Year, we co-operated with 96 main suppliers, all of which were subjected to stringent supplier management system. There is a centralised procurement model at the headquarter, which will purchase and install high quality tower cranes, spare parts and accessories. The number of suppliers by geographical region is as follows: (geographical region is based on the location of the supplier of the 15 most purchased products)

Suppliers by geographical region	Unit	Fiscal year 2022
Northern China	No. of supplier	19
Northeastern China	No. of supplier	3
Eastern China	No. of supplier	46
Central China	No. of supplier	15
Northwestern China	No. of supplier	2
Southern China	No. of supplier	11
<b>Total</b>	<b>No. of supplier</b>	<b>96</b>

### 9. INFORMATION MANAGEMENT

We aim to protect the Group's computer information system and business operation information, standardise the information management system, ensure the reasonable use of system resources, promote the digitalisation of the Company, facilitate the application and development of computer systems, ensure the normal operation of information systems of the Group's companies, fully utilise the role of information system in enterprise management, to better serve the Company's production and operation. We strictly adhere to laws and regulations such as the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, the Law of the People's Republic of China on Guarding State Secrets and the Law of the People's Republic of China on Protection of Consumer Rights and Interests, and the Group's internal IT Management System and IT Management Cycle, to establish clear responsibilities and division of labour, ensure the security of the Company's vital information and information independence, integrity and security.

The Board attaches great importance to the protection of information privacy and information security within the Group. To the knowledge of the Directors, during the Reporting Period, we did not receive any complaints related to the violation of consumer privacy protection regulations and leakage of customer or supplier data, and there is no major incident arising from the leakage of confidential information.

## Environmental, Social and Governance Report

To resolve the problems that may arise in each project phase, the Group has developed the iSmartCon application, which helps the customers to find tower cranes that can fulfill the functions and specifications for specific projects, ensure the seamless execution and fulfilment of maintenance contracts and the effective monitoring of equipment safety status, thereby increasing operation efficiency. The Group regularly performs security inspection and testing on software, enhances website security, eliminates software vulnerability and increases operation efficiency.

The Group categorises its computers and network equipment, and specifies users and information security management methods to ensure information security.

We regularly organise for our employees training on information security, safety and protection to enhance their awareness in information protection.

In terms of advertisement, we adhere to the Advertising Law of the People's Republic of China, Publicity materials are reviewed and proofread multiple times before publishing to prevent any misleading information. If misleading information is found, we will immediately issue an update announcement to correct the error.

### 10. TEAM BUILDING

We adhere to the principles of "Virtue, Safety and Excellence". We also provide a reliable platform for the sustainable development of employees' professional and personal lives, a safe work environment for employees, and strive to ensure the legal rights for every employee, to create a fair, positive, harmonious and healthy occupational atmosphere.

Employees are the essential element in the Group's sustainable development. We highly value the occupational health and safety for employees, and will facilitate their learning and development and protect their rights. As a result, we formulated the Employee Handbook and Salary Cycle. We strictly adhere to laws and regulations related to labour and employment promulgated by the PRC, such as the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China, the Social Insurance Law of the People's Republic of China, the Law on the Protection of Minors of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour, which include requirements related to recruitment and dismissal, remuneration and benefits, employee training, anti-discrimination and overtime.

We are also concerned about the physical and mental health of our employees. In face of the unexpected COVID-19 pandemic, we strictly imposed social distancing restrictions, took multiple measures to protect employees' health and welfare. Concerned about the home office situation of the employees, the executives of the Group gathered pandemic supplies from multiple sources to reduce the staff infection risk. At the beginning of the pandemic when traffic is limited, the executives decided to distribute a pandemic subsidy to the employees. When traffic has been stabilised, they organised distribution of pandemic supplies. We also concerned about the physical and mental condition of employees working from home. We regularly inquire about their condition, and resolve their problems when necessary. This showcased the Company's care for its employees and helped to increase employee cohesion.

# Environmental, Social and Governance Report

The Group's employment status during the Year is as follows:

<b>Employee indicators</b>	<b>Fiscal year 2022</b>	Fiscal year 2021
Total number of employees at the end of the Period (number of people)	<b>1,207</b>	1,081
<b>Total number of employees by gender</b>		
Female (number of people)	<b>281</b>	233
Male (number of people)	<b>926</b>	848
<b>Total number of employees by employment type</b>		
Short-term contract/part-time employees (number of people)	<b>0</b>	63
Full-time junior employees (number of people)	<b>1,103</b>	933
Full-time mid-level employee (number of people)	<b>85</b>	77
full-time senior management (number of people)	<b>19</b>	8
<b>Total number of employees by age group</b>		
Under 30 (number of people)	<b>311</b>	289
30–50 (number of people)	<b>823</b>	687
Over 50 (number of people)	<b>73</b>	105
<b>Total number of employees by geographical region</b>		
Northern China (number of people)	<b>120</b>	125
Eastern China (number of people)	<b>396</b>	595
Central China (number of people)	<b>0</b>	19
Northwestern China (number of people)	<b>128</b>	133
Southern China (number of people)	<b>563</b>	206
Others (including Hong Kong, Macau and Taiwan) (number of people)	<b>0</b>	3

## 10.1 Recruitment and Dismissal

The Group strictly adheres to the recruitment system set out in the internal Salary Cycle, and plans employment matters according to the human resource needs of each department. We continue to employ talents who are highly compatible with their roles under the principles of fairness and diversity, no applicant will be discriminated because of their gender, age, race, colour, religion, nationality, disability or retirement and sexual orientation. The Group aims to employ diverse recruitment channels, which include placing advertisements on various recruitment websites, cooperation with technical institutes or universities in different regions to recruit suitable candidates, and referral by professional executive search or internal referral.

The Group strictly adheres to laws and regulations, eliminates child labour and prevent forced labour. We perform a stringent identity verification procedure to ensure the employees are of legal working age. We specify the work hours and statutory holiday arrangements for the employees in accordance with the requirements of the Labour Contract Law of the People's Republic of China, protecting basic employee rights. We do not mandate overtime work for employees. For those who need to work overtime, we will provide meal allowance and fully reimburse transportation fares. Employees are entitled to refuse work on rest days. Those who agree to work overtime on rest days are entitled to compensation leave. Allowing employees to work on a voluntary basis is beneficial to increasing work efficiency and maintaining stable long-term cooperation. During the Reporting Period, the Group has not been involved in the employment of child labour and forced labour.

The Company is concerned about the employees' professional ethics and code of conduct, and actively creates an environment suitable for employee development.

## Environmental, Social and Governance Report

The turnover rate of the Group is as follows:

Turnover rate	Unit	Fiscal year 2022	Fiscal year 2021
Total turnover rate	%	<b>24.2</b>	17.1
<b>Employee turnover rate by gender</b>			
Turnover rate for female employees	%	<b>6.7</b>	3.6
Turnover rate for male employees	%	<b>17.5</b>	13.5
<b>Employee turnover rate by age group</b>			
Under 30	%	<b>8.7</b>	5.9
30–50	%	<b>14.6</b>	9.9
Over 50	%	<b>0.9</b>	1.2
<b>Employee turnover rate by geographical region</b>			
Northern China	%	<b>1.1</b>	1
Eastern China	%	<b>9.4</b>	10.7
Central China	%	<b>0.0</b>	0.2
Northwestern China	%	<b>2.1</b>	2.4
Southern China	%	<b>11.7</b>	2.7
Others (including Hong Kong, Macau and Taiwan)	%	<b>0.0</b>	0.0

### 10.2 Remuneration and Benefits

To attract and retain outstanding employees and implement the Group's remuneration policy, the Company offers an competitive salary to the employees based on the requirements on expertise, experience and education of each role. We recognise and reward employees with outstanding work performance or strong expertise by providing them promotion opportunities. We prioritise internal promotion before external recruitment, to provide a pathway for employees' long-term career development. We have established an internal system for rewarding long-term service employees who have made constant contributions. The reward for long-term service can maintain stability of the labour force and ensure the competitiveness of the Company.

The Group, which values the well-being of its employees, has formulated benefit plan policies in the Employee Handbook and the compensation and benefits systems in the Salary Cycle. We contribute for the benefits of our employees social insurance which include endowment insurance, medical insurance, maternity insurance, industrial injury insurance, unemployment insurance in accordance with the requirements of the Interim Regulations on the Collection and Payment of Social Insurance Premiums and the Social Insurance Law of the People's Republic of China. We also contribute to housing provident fund for our employees according to government regulations. We ensure holidays in accordance with requirements of the PRC such as marriage leave, maternity leave, parental leave and annual leave. In addition to the above statutory benefits, we highly value the health and safety of our employees by providing various additional benefits. Additional benefits include supplemental commercial insurance for employees, which includes in-patient, emergency and hospitalization service. We pay travel allowances and holiday bonuses to the employees. We hand out presents to our employees on Dragon Boat Festival, Mid-Autumn Festival and Women's Day each year. We also hold monthly birthday parties for employees born in the same month. Every year, the Group organises leisure activities such as sports competition for employees, enriching their spare time, facilitate communication between employees and increase cohesion within the Group.

In addition, for employees with limited transportation, the Company arranges shuttle service between the workplace and subway stations, solving their commute problems.

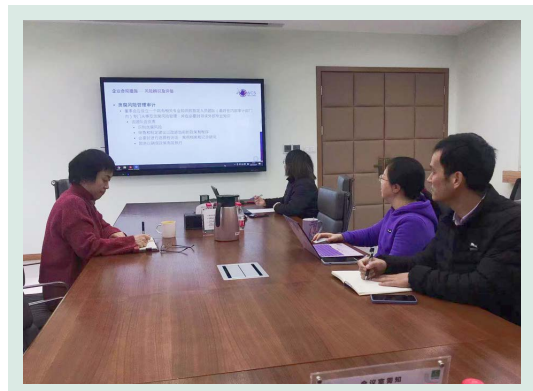
## Environmental, Social and Governance Report

### 10.3 Training and Development

The Group adheres to the mission of “providing employees with a platform for stable development”. The Group’s training policy aims at strengthening employees’ skills and knowledge and provide a development plan for employees, integrating employees’ personal advancement, development and the company’s objective. We have organized various kinds of training based on the requirements of the roles and actual needs of the employees, providing an opportunity and a platform for employees to enhance their occupational skills.

Furthermore, we have established a refurbishment training centre in the Yangzhou Refurbishment Centre PRC. We send the employees to the training centre to attend a centralised and targeted technical training programme on tower cranes, cultivate further innovations and invest in talent development. At the end of the Reporting Period, based on the training status of the Year, we will formulate a training programme for next year after consulting employees’ needs from each department.

We provide training in various forms, which include offline training programmes, online seminars, sharing outstanding writing pieces, and lunch sharing sessions.



## Environmental, Social and Governance Report

The performance indicators for employees' participation in training activities during the Reporting Period were as follows:

Performance Indicators	Unit	Fiscal year 2022	Fiscal year 2021
<b>Number of employees trained by gender</b>			
Female employees	person-time	<b>388</b>	260
Male employees	person-time	<b>1,205</b>	968
<b>Number of employees trained by employment type</b>			
Short-term contract/part-time employees	person-time	<b>0</b>	0
Junior employees	person-time	<b>1,489</b>	1,127
Middle management	person-time	<b>85</b>	85
Senior management	person-time	<b>19</b>	16
<b>Average training hours completed per employee by gender</b>			
Female employees	hour	<b>65</b>	35
Male employees	hour	<b>77</b>	36
<b>Average training hours completed per employee by employment type</b>			
Average training hours completed per short-term contract/part-time employee	hour	<b>0</b>	0
Average training hours completed per junior employee	hour	<b>75</b>	35
Average training hours completed per middle-level employee	hour	<b>75</b>	29
Average training hours completed per senior employee	hour	<b>79</b>	34

Following the incentive direction of "distribution according to one's performance and contributions", the Group continues to improve its diversified, sustainable and competitive incentive mechanism, and provides its employees with competitive remuneration packages based on the principles of "benchmarking the market, be fair and just, prioritising performance and be impartial and transparent". Employees' salaries are linked with the results and performance of the Group, departments and individuals to further enhance their potential. We conduct performance appraisals for our employees regularly to understand how they discharge their duties and make sure systems are well arranged and the progress of all tasks is smoothly facilitated.

### 10.4 Communication

The Group values two-way communication between the Group and its employees. The Group communicates information regarding the Company with its employees on an ongoing basis, in terms of the Group's 5-year and 10-year development plans and objectives, an explanation of the Group's culture and etc. Employees may access this information via all kinds of notices and documentation of the Group and from managers of the respective department. We also attach great importance to listening to the voice of our employees and try to understand their thoughts through various transparent public channels, including face-to-face communication, annual meetings, labour unions, internal mailbox, WeChat official account and etc. Our employees may, through the above channels, express their concerns and doubts about work and life to the Group, suggest new ideas and recommendations for work and resolve problems and eliminate uncertainties by communicating with each other, to enhance the cohesion between our employees and the Group's and continue to raise the satisfaction of our employees.

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The headquarters of the Group formed a labour union under Tat Hong Zhaomao Investment Group Co., Ltd.\* (達豐兆茂投資集團有限公司) in accordance with the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》) on 15 December 2021. A union is an organisation set up to safeguard the legal interests and rights of the employees. It bridges the management and the employees with an effective, reasonable, equal and liberal communication channel, which helps raise the frequency of communication between employees and management members and thereby mitigating difficulties encountered by the employees at work or in life. Such union also safeguards the legal interests of the employees while striking a balanced employment relationship and shows a sense of humane care for the employees by the Group. In addition to the aforesaid, the labour union may also enhance the quality of life of the employees with a wide range of cultural and sports activities, offer better fringe benefits to the employees and boost their sense of happiness in the workplace.



### 10.5 Occupational Health and Safety

In light of the unique nature of the tower crane service industry, we have been consolidating the Group's core value of "safety". We have to ensure safety throughout the implementation process of our projects and a safe environment in the vicinity of where our projects are located, as well as to ensure the safety of our employees on-site. We have formulated and put in place a set of safety management measures and systems covering four main areas as follows: personnel safety management, safety management of tower crane and its related parts and accessories, specific investigations and assessments of any incidents and malfunctions of tower crane, and regulate communication with internal safety committee.

We have strictly complied with the Work Safety Law of the People's Republic of China (《中國人民共和國安全生產法》), the Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》), the Regulation on Work Safety Permits (《安全生產許可證條例》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other relevant laws and regulations. We have developed and put in place the Safety Management Control Procedure (《安全管理控制程序》) to make sure the Group complies with the requirements of work safety and civilised construction in the course of operation, eliminate safety risks promptly, fulfil safety-related responsibilities aligning with the policy of "safety first, prioritising prevention and comprehensive governance (安全第一，預防為主，綜合治理)", prevent and minimise the occurrence of incidents, and enhance the safety awareness and self-preservation ability of employees.

The Group has set up a safety management unit to ensure safe and effective production operation. We carry out weekly, monthly and quarterly inspections, on a sample basis, to strengthen the monitoring ability of the Company to reduce the incident rate and error rate.





## Environmental, Social and Governance Report

In addition to the project workers, we also ensure the health and safety of our employees who work at the offices by arranging annual health checkups for them and urging them to participate in the fire drills in their respective office areas. We ensure our offices are equipped with the requisite fire facilities and equipment and the checking of such facilities and equipment will be conducted by the administrative department every quarter. Employees are required to follow fire regulations set up by the respective landlords of each district. They are prohibited from using electric appliances in violation of laws and regulations and are required to ensure that the fire escapes are kept clean and smooth. We request our employees to maintain ordinary management of office facilities at all times, ensure doors and windows are closed and electric appliances are switched off after office hours to raise their safety awareness of “anti-theft and anti-fire”. We have installed video monitoring system in our office to ensure its proper internal operation and the safety of our staff. Employees of the Group must stringently abided by the Road Traffic Safety Law of the People’s Republic of China (《中華人民共和國道路交通安全法》) when using the motor vehicles of the Company. They are strictly prohibited from illegal behaviour, such as driving over speed, drunk driving, and fatigued driving.

As the COVID-19 pandemic continued during the year, emergency public health and safety measures have been adopted to contain the pandemic in certain provinces and municipalities of China. The Group purchased quarantine insurance for all the employees and distributed anti-epidemic materials, such as surgical masks and isopropyl alcohol, to them. Staff are required to take body temperature before entering any office areas. We encourage online meetings instead of face-to-face meetings to prevent the spread of the epidemic. We have actively responded to the government’s call by encouraging all our employees to get COVID-19 vaccination and cooperating with the government and landlords to conduct the nucleic acid testing when necessary. In March 2022, the number of infected cases in Shanghai reached a record high since the outbreak of COVID-19 in China. We then offered our employees to work from home in advance to reduce infection in the community and take all possible measures to mitigate the risk of disease transmission. During the time of quarantine, we provided food to our employees to ensure they have adequate living necessities.

We advocate the COVID-19 precautions through our WeChat official account to enhance the employees’ awareness of epidemic prevention and motivate them to take epidemic prevention measures proactively to effectively safeguard our employees’ health and ensure their safety.

In the past three years, including the Reporting Period, the Group recorded no work-related fatality, thus accounting for the work-related fatality rate of 0% and there were no lost days due to work injury. In case of a safety accident, we will truthfully record and report the investigation result and treatment situation of potential accidents.

The Group is concerned about its employees’ lives after work and attaches great importance to their mental health. We wish our employees could improve their physical fitness and maintain a work-life balance while realising self-value. To embody the Company’s culture of caring, we have organised a wide range of cultural and sports activities to enhance the cohesion among our employees.

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Our activities mainly held during the Year are as follows:

- ***Sustainability Themed Logo Design Competition in November 2021***

Tat Hong China has actively responded to the government's call for "sustainability" through the implementation of our objective of sustainable development while having the employees at all levels of the Company participated in it. From 5 November 2021 to 20 December 2021, a "sustainability" themed logo design competition was initiated and held within the Group, which helped captured the philosophy of "sustainability" and created a culture of innovation and motivation with enthusiasm, thereby playing an important role in establishing a sound and healthy corporate governance system.



- ***Fantastic Christmas Eve on 23 December 2021***

The Company prepared apple gift packs as Christmas presents for its employees and distributed the gift packs to the employees after office hours on 23 December 2021, aiming to surprise each of its employees with a little joy on Christmas Eve and to wish them a healthy and peaceful year ahead.

We also held an environmental creative design competition to encourage the participants to create interesting works to reflect the ideas of being healthy and going green by reusing waste materials.



- ***Lantern Festival in Gongs and Drums in February 2022***

Celebrating Lantern Festival on the fifteenth day of the first lunar month is a tradition of the Chinese. In order to enrich the cultural lives of our employees after work and boost the cohesion among them, China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd., a subsidiary of the Group, organised a Lantern Festival Guessing Game in 2022.



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- **Staff Birthday Month in March 2022**

The Company has prepared a birthday cake for those employees having birthdays in the same month. Everybody then celebrated and shared the birthday cake in the melody of birthday song and joy of laughs. Such an act could boost the sense of belonging of Tat Hong's people and also consolidate the cohesion among them.



- **Women's Day Event in March 2022**

Under the breezy spring weather in March, a group of female employees of Ronghe Tat Hong had a great time together on Women's Day. They went for a spring trip and spent a day at Tianle Lake (天樂湖), a nice spot that is famous for its beautiful scenery.



Though the headquarters office of Tat Hong China Group cancelled its exclusive gathering event on Women's Day due to the COVID-19 pandemic, the Group continues to express its sincere blessings and care to all the female employees. The Group prepared flowers and gift boxes for each female staff wishing them each an energetic and beautiful life.

Looking ahead, we will continue to maintain the physical and mental health of our employees.



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### 11. PAYING ATTENTION TO THE ENVIRONMENT

Being a socially responsible listed enterprise, we assume the responsibility of promoting environmental sustainability. We have considered the need of going green in the course of our operating activities and have complied with environmental-related laws and regulations, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》), and the Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》). The Board has also formulated a set of environmental KPIs for the Year. As the Group is not a production-oriented enterprise, it would not have adverse significant impacts on the environment and natural resources. Nevertheless, we follow the requirements of the internal Environmental Management Control Procedures (《環境管理運行控制程序》) during operation.

During the Year, we have collected the annual consumption data and announced the annual environmental sustainability management actions for the Group's headquarters office and its respective subsidiaries to enable the Group to better understand the environmental performance. There was an increase in the quantity of data for the Year when compared with that of the prior year because there has been newly added data in respect of our subsidiaries, while the method of calculations of both years remained the same.

#### 11.1 Dealing with Climate Change

To deal with the unpredictable climate change and to cope with the adverse impacts of climate change on the Group's business and operation, we have taken into consideration the recommendation of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) when formulating measures in response to climate change based on the following four main areas.

- Governance: report the administration of climate-related issues to the Board, formulate and monitor strategies and management approaches relating to climate. The management coordinates with the ESG Special Task Force to formulate and implement the relevant policies and continues to give feedback to the Board.
- Strategy: analyse the actual and potential impacts of climate-related risks and opportunities on the Company's business, strategies and financial plans.
- Risk management: identify, assess and manage the climate-related risks.
- KPIs and targets: assess and manage the KPIs and targets for climate-related risks and opportunities, including measures such as implementation of energy conservation and emission reduction, waste management and water resource management.

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Moreover, we will also strengthen our capacity for equipment inspection for projects in the coastal areas based on the actual condition of the places where projects are located, and take into consideration the actual risks in the technical scheme design and construction planning of the installation and disassembling of tower cranes to minimise the adverse effect of climate change on the process of construction. We ensure the safety of our employees and projects by monitoring the extreme weather at all times and taking initial corresponding preparation and countermeasures in advance or promptly.

During the Reporting Period, we experienced some extreme weather incidents, such as typhoons along the coast and the extraordinary rainstorm in Zhengzhou PRC. In light of the frequent hit by coastal typhoons, we will conduct reinforcement of the standardised parts for tower cranes of our projects before any typhoons approach to prevent losses caused by equipment overturned due to strong wind, which may result in economic losses of the projects. Certain of our projects experienced disruption and some employees were even trapped during the extraordinary rainstorm in Zhengzhou, in this regard, the Company has taken initiatives to help those who suffered and assisted them to overcome problems encountered. In the future, we will keep an eye on the extreme weather and apply protective measures to equipment and personnel in advance to avoid suffering from substantial loss.

### 11.2 Energy Conservation and Emission Reduction

We have integrated the energy conservation and emission reduction policies into our ordinary working life to create a green office environment. We draft a list of “Green and Low-carbon Activities” every year and organise low-carbon activities monthly to make an effort towards environmental protection.

We maintain independent lighting systems in different office areas, so that the employees may turn on lights according to actual needs. We also put the slogan “save energy, turn off the lights (節約電能、隨手關燈)” on the lighting device to remind the employees to turn off the lights, air-conditioners and other unnecessary electric devices before leaving the workplace. Administrative officers and the last colleague leaving the office will conduct a check after work to make sure that the power is off. In terms of air-conditioning systems, we install independent air conditioners to avoid installing them under direct sunlight to reduce energy usage and conduct regular inspections to improve equipment performance to save electricity. The headquarters office uses central air-conditioning, which is under unified management by the office campus. Such air-conditioning system reduces electricity consumption by automatically turning off the air-conditioner whenever the temperature reaches a suitable level. We have attached thermal insulation films on windows at the office to mitigate the need for air conditioning at low temperatures.

China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd., a subsidiary of the Group, encourages its branches to substitute traditional petrol-fueled vehicles with smart electric vehicles in their daily operations to reduce the greenhouse gas emissions, thereby saving energy and reducing emissions.

The Group consumed 2,149,513.58 kWh of electricity during the Year, with an intensity of 12.20 kWh per square metre.

The greenhouse gas emissions was calculated with reference to the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) jointly convened by World Resources Institute and World Business Council for Sustainable Development and the ISO14064-1 standard set by the International Organization for Standardization. We have summarised the fuel consumption used from vehicles and electricity consumption during operation for the Year, so as to calculate greenhouse gas emissions (Scope 1 and 2).

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The greenhouse gas emissions and intensity of all offices of the Group were as follows:

KPIs	Unit	Fiscal year 2022	Fiscal year 2021
<b>Greenhouse gas emissions</b>			
Scope 1: Direct greenhouse gas emissions	tonnes of carbon dioxide equivalent (CO <sub>2</sub> e)	<b>1,288.36</b>	13.80
Scope 2: Indirect greenhouse gas emissions	tonnes of CO <sub>2</sub> e	<b>1,311.42</b>	42.70
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO <sub>2</sub> e	<b>2,599.78</b>	56.50
<b>Greenhouse gas emissions intensity</b>			
Greenhouse gas emissions intensity per square metre (Scope 1 and 2)	tonnes of CO <sub>2</sub> e/square metre	<b>0.02</b>	0.05

Note:

1. The scope of information 2021 only covers data of the Group's headquarters office, while the scope of information 2022 covers data of offices of the entire Group and its subsidiaries
2. The presentation of figures is different from that of the prior year (rounded up to two decimal places)

Scope 1: Direct greenhouse gas emissions from sources that are owned and controlled by the Company.

Scope 2: Indirect greenhouse gas emissions from the generation of the electricity, heating and cooling, or steam purchased by the Company.

We arrange maintenance and repair of our company cars periodically to prevent inefficient vehicles from consuming more fuel and emitting more pollutants. Employees are encouraged to take public transportation to commute and use company cars when necessary to reduce the greenhouse gas emissions.

Aiming to reduce greenhouse gas emissions, we stop running our headquarters shuttle bus for one day every month. The implementation of such a measure has reduced the burning of fuel by a total of 108 litres throughout the year, and the greenhouse gas emissions have also reduced by 2% when compared with the direct greenhouse gas emissions throughout the prior year.

In order to reduce greenhouse gas emissions, we have abided by the principle of "green deployment (綠色調撥)" in equipment deployment transportation. We centre the places where the equipment are required and deploy equipment with a radius of 300 kilometres to avoid long-distance transportation, thereby attaining the positive effects of both energy-saving and emission reduction, as well as economic benefits.

We have paid more attention to prefabricated and clean energy projects. Prefabricated constructions have shortened the entire construction cycle, which in turn helps saving energy and reducing emissions.

The Group's vehicles consumed 294,870.30 litres of petrol during the Year, and have emitted 5,623.34 kg of nitrogen oxides (NO<sub>x</sub>), 7.27 kg of sulphur oxides (SO<sub>x</sub>) and 458.38 kg of particulate matters (PM).

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This year marks the national 44th Arbor Day. To reduce carbon emissions, and support the government goal of “carbon emission peaking and carbon neutrality (碳達峰碳中和)”, promoted the substantive advancement of the Group’s ESG work, and advocated the Group’s focus on sustainable, green and healthy development concepts. We have conducted a tree-planting activity at Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd.\* with the slogan of “together, we create, share and grow (共創、共用、共成長)” in the morning on 12 March 2022, to promote the Group’s long-standing sustainable philosophy of going green, environmentally friendly and low-carbon. Through this activity, the employees were provided with the opportunities to create their values together and share their outcome of co-creation, thus achieving sustainability between the employees and the Company, as well as the balance of social development. A total of 649 trees were planted in this activity.



## Environmental, Social and Governance Report

### 11.3 Waste Management

The Group has disposed of waste in accordance with the internal Waste Management Measures (《廢棄物管理措施》) to carry out waste sorting, recycling and disposal of waste produced during the ordinary operation at our offices. We sort and recycle waste paper, metal and plastic. Employees are encouraged to reuse stationery, such as ballpoint pens and lead pencils with replaceable refills, envelopes, folders, file cards, etc., and reduce the use of disposable and non-recyclable products. Employees are also encouraged to work paperless to reduce paper consumption.

We put signs at our printers to remind our employees to make double-sided photocopies and reuse paper. For internal unofficial documents, we require double-sided printing. For external materials, we will arrange double-sided printing of the relevant materials with the consent of the third-party manufacturers. All unnecessary and less important documents are electronically archived, and information is recorded and transmitted by means of electronic communication. We provide enough drinking mugs and cutlery in the office to reduce and avoid the use of disposable cutlery.

We actively use printing paper and toilet paper containing recycled materials. To effectively manage paper usage, we regularly monitor printer usage and make adjustments, such as setting printing limits for users. The Group consumed 4,877.30 kg of paper during the Year, with an intensity of 4.04 kg per employee.

In addition, we regularly assess material consumption and adjust material orders. In terms of disposing hazardous waste, the Group has established the relevant procedures for the disposal of hazardous waste. We have also engaged a recycling company certified by the ISO14001 Environmental Management System to assist in proper disposal and recycling of the waste ink cartridges and discarding of computers and printers, to reduce the amount of pollution to the environment.

The waste produced and intensity by the Group during the Year were as follows:

Waste produced and intensity	Unit	Fiscal year	Fiscal year
		2022	2021
<b>Total hazardous waste produced</b>	No. of computer	<b>32</b>	10
	No. of battery	<b>330</b>	182
<b>Hazardous waste produced per employee</b>	No. of computer/ employee	<b>0.03</b>	0.20
	No. of battery/employee	<b>0.27</b>	3.90
<b>Total non-hazardous waste produced</b>	kg	<b>73,321</b>	6,600
<b>Non-hazardous waste produced per employee</b>	kg/employee	<b>60.70</b>	140.40

Note: The scope of information of 2021 only covers data of the Group's headquarters office, while the scope of information of 2022 covers data of offices of the entire Group and its subsidiaries



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In addition to the waste produced during ordinary office operations, we also monitor and dispose of waste, which include exhausted gas, sewage, and hazardous waste, from Yangzhou Refurbishment Centre in a stringent manner.

Each year we engage a third-party technical unit to conduct an environmental impact assessment and prepare a report accordingly. We monitor and evaluate our sewage and exhausted gas produced to ensure the requirements of laws and regulations of China are complied with. We liaise with qualified waste disposal agencies with operating licenses to carry out professional disposals of hazardous waste, such as paint residue and blasting dust, waste engine oil, waste wipes and labour protection gears, used packing materials of chemicals, waste activated carbon and waste filter cotton, to reduce harm to the environment. Hazardous waste statistics are made based on month, produced amount, storage amount and transferred amount, and hazardous wastes are under strict management.

The Group neither receive any notices or warnings on environmental protection matters, nor being imposed any fines, penalties or other legal actions by the Chinese government authorities against any material non-compliance with any environmental protection laws of China during the Year.

Waste produced and intensity	Unit	Fiscal year	Fiscal year
		2022	2021
<b>Total hazardous waste produced</b>	kg (waste engine oil)	<b>7,820</b>	—
	kg (paint residue)	<b>6,520</b>	—
	kg (blasting dust)	<b>6,380</b>	—
<b>Hazardous waste produced per employee</b>	kg (waste engine oil)/ employee	<b>6.48</b>	—
	kg (paint residue)/ employee	<b>5.40</b>	—
	kg (blasting dust)/ employee	<b>5.29</b>	—

Note: The scope of information of 2021 only covers data of the Group's headquarters office, while the scope of information of 2022 covers data of offices of the entire Group and its subsidiaries

### 11.4 Water Resource Management

The Group has striven to reduce the usage of water and targets to improve our effectiveness of water usage through the implementation of various water conservation measures to mitigate the adverse impacts on the environment. The Group maintains water-saving facilities, such as faucets containing water-saving labels and double flush toilets to reduce water consumption. Notices are also posted outside the washrooms to remind our employees of water conservation. Besides, we perform regular inspection and maintenance for water tanks, pipes and faucets to prevent the facilities from overflowing and leaking.

The Group had no problem in sourcing water that is fit for purpose. The total water consumption during the Year was 14,697.82 cubic metres, with an intensity of 0.08 cubic metre per square metre.

## Environmental, Social and Governance Report

### 12. COMMUNITY INVOLVEMENT

“Undertaking the responsibility of harmonious development for the society” is one of the missions of the Group. We devote our resources to contributing and giving back to the society.

During the Reporting Period, we were committed to community investment and public welfare activities. We invested an amount of RMB240,000 in aggregate in the E.G.G. Walkathon and accumulated 21 hours of charity activities with 58 employees participating in total. There was a total of 20 members in the community volunteer service team.

Public welfare activities we had participated in during the Year were as follows:

- E.G.G. Walkathon in May 2021: Walkathon for love***

The 12-hour 50-kilometre hike in hot weather completely reflects our unwavering determination for children’s well-being. We aim to communicate and deliver the meaningful message of charity events to get the public involved in public welfare activities, integrating public welfare into our daily routine and going far beyond just a fundraising activity.



- Supplying necessities to communities during the pandemic in August 2021***

*Facilitating the prevention and control of COVID-19 in time*

On 3 August, Shanghai experienced the most ever challenge of epidemic prevention and control since it was required to perform the nucleic acid testing for all personnel and citizens in Shanghai within only one day comprehensively without leaving anyone out. Though the local government and the campus cadres, medical staff and volunteers encountered many hindrances, such as too many people, difficulty to execute prevention and control measures and hot weather, they managed to overcome the aforesaid obstacles and carry out the thorough testing on time and in order. The Company took the initiative to approach the Yizheng Chemical Industry Park and the Qingshan Town Government after their call for an epidemic prevention and control activities, by organising a team of volunteers to arrange fleets for transportation on the same day, so that the Company could donate the supplies of approximately RMB30,000 in value, such as infrared thermometers, disinfectant, milk and mineral water, to four public nucleic acid testing sites located at Nongge, Yuejin, Qingshan Heath Centre PRC and Gumei, PRC.



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- ***Double Ninth Festival in October 2021: Visit to the centenarians living alone and caring for the elderly in the community to show corporate responsibility***

On 14 October 2021, on the occasion of the traditional Chinese festival namely the Double Ninth Festival, Mr. Zhu, the vice president of the Group's headquarters, led the ESG Department and the Human Resources Department to visit centenarians living alone in the community where the Company belongs to and delivered greetings of the Double Ninth Festival to the elderlies.

Through this activity, we demonstrated the excellent traditional virtues of the Chinese and put into practice our care for the elderlies, thereby creating a good atmosphere of respecting and loving the elderlies in the community and also assuming the social and corporate responsibilities of caring enterprises.

The Group actively assigns, calls on and supports the employees to participate in volunteer services, voluntary blood donation and fundraising activities organised by do-gooders to help children in mountainous areas. In the future, we will continue our public welfare activities in the communities and launch various charity projects to focus on supporting the disadvantaged.



# Environmental, Social and Governance Report

## APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT INFORMATION

Environmental KPIs <sup>1</sup>	Unit	Fiscal year 2022 <sup>2</sup>	Fiscal year 2021
<b>Emissions<sup>3</sup></b>			
Nitrogen oxides (NO <sub>x</sub> )	kg	<b>5,623.34</b>	28.90
Nitrogen oxides (NO <sub>x</sub> ) emissions intensity per square metre	kg/square metre	<b>0.030</b>	0.027
Sulphur oxides (SO <sub>x</sub> )	kg	<b>7.27</b>	0.07
Sulphur oxides (SO <sub>x</sub> ) emissions intensity per square metre	kg/square metre	<b>0.00004</b>	0.00007
Particulate matter (PM)	kg	<b>458.38</b>	2.70
Particulate matter (PM) emissions intensity per square metre	kg/square metre	<b>0.003</b>	0.003
<b>Vehicles' fuel consumption</b>			
Petrol	Litre	<b>294,870.30</b>	5,090.00
Petrol consumption per output value of RMB10,000	Litre/RMB10,000	<b>5.13</b>	/
<b>Greenhouse gas emissions</b>			
Direct greenhouse gas emissions (Scope 1)	tonnes of carbon dioxide equivalent (CO <sub>2</sub> e)	<b>1,288.36</b>	13.80
Indirect greenhouse gas emissions (Scope 2)	tonnes of CO <sub>2</sub> e	<b>1,311.42</b>	42.70
Total greenhouse gas emissions (Scope 1 and 2)	tonnes of CO <sub>2</sub> e	<b>2,599.78</b>	56.50
Greenhouse gas emissions intensity per square metre (Scope 1 and 2)	tonnes of CO <sub>2</sub> e/square metre	<b>0.02</b>	0.05
<b>Hazardous waste</b>			
Total hazardous waste produced	No. of computer	<b>32</b>	10
	No. of battery	<b>330</b>	182
Hazardous waste intensity per employee	No. of computer/employee	<b>0.03</b>	0.20
	No. of battery/employee	<b>0.27</b>	3.90
Total hazardous waste produced	kg (waste engine oil)	<b>7,820.00</b>	—
	kg (paint residue)	<b>6,520.00</b>	—
	kg (blasting dust)	<b>6,380.00</b>	—
Hazardous waste produced per employee	kg (waste engine oil)/employee	<b>6.48</b>	—
	kg (paint residue)/employee	<b>5.40</b>	—
	kg (blasting dust)/employee	<b>5.29</b>	—
<b>Non-hazardous waste</b>			
Total non-hazardous waste produced	kg	<b>73,321.00</b>	6,600.00
Non-hazardous waste intensity per employee	kg/employee	<b>60.70</b>	140.40
<b>Paper</b>			
Paper consumption	kg	<b>4,877.30</b>	275.60
Paper consumption intensity per employee	kg/employee	<b>4.04</b>	5.90
<b>Energy usage</b>			
Total electricity consumption	kWh	<b>2,149,513.58</b>	70,000.00
Electricity consumption intensity per square metre	kWh/square metre	<b>12.20</b>	61.20
<b>Water consumption</b>			
Total water consumption	Cubic metre	<b>14,697.82</b>	1,200.00
Water consumption intensity per square metre	Cubic metre/square metre	<b>0.08</b>	1.00

Note: The scope of information 2021 only covers data of the Group's headquarters office, while the scope of information 2022 covers data of offices of the entire Group and its subsidiaries

<sup>1</sup> The disclosure scope of environmental KPIs includes all offices and subsidiaries of the Group

<sup>2</sup> The presentation of figures is different from that of the prior year (rounded up to two decimal places)

<sup>3</sup> Emissions produced by vehicles

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<b>Social KPIs<sup>4</sup></b>	<b>Unit</b>	<b>Fiscal year 2022</b>	Fiscal year 2021
Total workforce	Person	<b>1,207</b>	1,081
<b>Number of employees by gender</b>			
Female	Person	<b>281</b>	233
Male	Person	<b>926</b>	848
<b>Number of employees by employment type</b>			
Short-term contract/part-time employees	Person	<b>0</b>	63
Full-time junior employees	Person	<b>1,103</b>	933
Full-time middle management	Person	<b>85</b>	77
Full-time senior management	Person	<b>19</b>	8
<b>Number of employees by age group</b>			
Employees under the age of 30	Person	<b>311</b>	289
Employees aged 30–50	Person	<b>823</b>	687
Employees aged over 50	Person	<b>73</b>	105
<b>Number of employees by geographical region</b>			
Northern China	Person	<b>120</b>	125
Northeastern China	Person	<b>0</b>	0
Eastern China	Person	<b>396</b>	595
Central China	Person	<b>0</b>	19
Northwestern China	Person	<b>128</b>	133
Southern China	Person	<b>563</b>	206
Others (including Hong Kong, Macao and Taiwan)	Person	<b>0</b>	3
<b>Employee turnover rate<sup>5</sup></b>			
Total turnover rate	%	<b>24.2</b>	17.1
<b>Employee turnover rate by gender</b>			
Turnover rate for female employees	%	<b>6.7</b>	3.6
Turnover rate for male employees	%	<b>17.5</b>	13.5
<b>Employee turnover rate by age group</b>			
Employees under the age of 30	%	<b>8.7</b>	5.9
Employees aged 30–50	%	<b>14.6</b>	9.9
Employees aged over 50	%	<b>0.9</b>	1.2
<b>Employee turnover rate by geographical region</b>			
Northern China	%	<b>1.1</b>	1.0
Northeastern China	%	<b>0</b>	0.0
Eastern China	%	<b>9.4</b>	10.7
Central China	%	<b>0</b>	0.2
Northwestern China	%	<b>2.1</b>	2.4
Southern China	%	<b>11.7</b>	2.7
Others (including Hong Kong, Macao and Taiwan)	%	<b>0</b>	0.0

<sup>4</sup> Social KPIs to be disclosed encompass the data of the whole Group (including its subsidiaries)

<sup>5</sup> Turnover rate calculation method: Number of departed employees ÷ (Number of departed employees + Number of year-end employees) × 100%; the number of departed employees and year-end employees excludes short-term contract/part-time employees

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Social KPIs <sup>4</sup>	Unit	Fiscal year 2022	Fiscal year 2021
<b>Number of work-related fatalities and lost days due to work injury</b>			
Number of work-related fatalities	Person	0	0
Lost days due to work injury	Day	0	0
<b>Number of employees trained by gender<sup>6</sup></b>			
Female employees	Person-time	388	260
Male employees	Person-time	1,205	968
<b>Number of employees trained by employment type</b>			
Short-term contract/part-time employees	Person-time	0	0
Junior employees	Person-time	1,489	1,127
Middle management	Person-time	85	85
Senior management	Person-time	19	16
<b>Average training hours completed per employee by gender</b>			
Female employees	Hour	65	35
Male employees	Hour	77	36
<b>Average training hours completed per employee by employment type</b>			
Average training hours completed per short-term contract/part-time employee	Hour	0	0
Average training hours completed per junior employee	Hour	75	35
Average training hours completed per middle-level employee	Hour	75	29
Average training hours completed per senior employee	Hour	79	34
<b>Percentage of employees trained<sup>7</sup></b>			
Percentage of total employees trained	%	100	—
<b>Percentage of employees trained by gender</b>			
Percentage of female employees trained	%	100	—
Percentage of male employees trained	%	100	—
<b>Percentage of employees trained by age group<sup>8</sup></b>			
Employees under the age of 30	%	100	—
Employees aged 30–50	%	100	—
Employees aged over 50	%	100	—
<b>Percentage of employees trained by employment type<sup>8</sup></b>			
Short-term contract/part-time employees	%	0	—
Junior employees	%	100	—
Middle management	%	100	—
Senior management	%	100	—

<sup>6</sup> Number of trainees: The number of trainees refers to the total number of employees attending training during the Reporting Period, including the employees who have left during the Reporting Period.

<sup>7</sup> Percentage of employees trained:  $\text{Number of employees trained} \div (\text{Number of departed employees} + \text{Number of year-end employees}) \times 100\%$ ; the number of employees trained includes departed employees.

<sup>8</sup> Percentage of employees trained by such category:  $\text{Number of employees trained of such category} \div (\text{Number of departed employees of such category} + \text{Number of year-end employees of such category}) \times 100\%$ ; the number of employees trained of such category includes departed employees.

# Environmental, Social and Governance Report

## APPENDIX II: ESG REPORTING GUIDE CONTENT INDEX

KPIs			Relevant Chapter(s)
<b>A. Environmental</b>			
Aspect A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	11. Paying Attention to the Environment
	KPI A1.1	The types of emissions and respective emissions data.	11.2 Energy Conservation and Emission Reduction Appendix I: Summary of Sustainable Development Information
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11.2 Energy Conservation and Emission Reduction Appendix I: Summary of Sustainable Development Information
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11.3 Waste Management Appendix I: Summary of Sustainable Development Information
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	11.3 Waste Management Appendix I: Summary of Sustainable Development Information
	KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	1.2 Implementation 11.2 Energy Conservation and Emission Reduction
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	1.2 Implementation 11.3 Waste Management

## Environmental, Social and Governance Report

KPIs			Relevant Chapter(s)
Aspect A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	11.2 Energy Conservation and Emission Reduction 11.4 Water Resource Management
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	11.2 Energy Conservation and Emission Reduction Appendix I: Summary of Sustainable Development Information
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	11.4 Water Resource Management Appendix I: Summary of Sustainable Development Information
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	1.2 Implementation 11.2 Energy Conservation and Emission Reduction
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	1.2 Implementation 11.4 Water Resource Management
Aspect A3: The Environment and Natural Resources	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The packaging material used for finished products is not applicable for our business
	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	11. Paying Attention to the Environment
Aspect A4: Climate Change	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	11. Paying Attention to the Environment
	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	11.1 Dealing with Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	11.1 Dealing with Climate Change



## Environmental, Social and Governance Report

KPIs			Relevant Chapter(s)
<b>B. Social</b>			
<b>Employment and Labour Practices</b>			
Aspect B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	10. Team Building 10.1 Recruitment and Dismissal 10.2 Remuneration and Benefits 10.4 Communication
	KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	10. Team Building Appendix I: Summary of Sustainable Development Information
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	10.1 Recruitment and Dismissal Appendix I: Summary of Sustainable Development Information
Aspect B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	10.5 Occupational Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	10.5 Occupational Health and Safety Appendix I: Summary of Sustainable Development Information
	KPI B2.2	Lost days due to work injury.	10.5 Occupational Health and Safety Appendix I: Summary of Sustainable Development Information
	KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	10.5 Occupational Health and Safety

## Environmental, Social and Governance Report

KPIs			Relevant Chapter(s)
Aspect B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	10.3 Training and Development
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	10.3 Training and Development Appendix I: Summary of Sustainable Development Information
	KPI B3.2	The average training hours completed per employee by gender and employee category.	10.3 Training and Development Appendix I: Summary of Sustainable Development Information
Aspect B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	10.1 Recruitment and Dismissal
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	10.1 Recruitment and Dismissal
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	10.1 Recruitment and Dismissal
Aspect B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	8. Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	8. Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	8. Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	8. Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	8. Supply Chain Management

## Environmental, Social and Governance Report

KPIs			Relevant Chapter(s)
Aspect B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6. Operational Practices 6.1 Enhancing Product Quality 6.2 Reliable Customer Service 6.3 Protection of Intellectual Property Rights 9. Information Management
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.1 Enhancing Product Quality
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	6.2 Reliable Customer Service
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.3 Protection of Intellectual Property Rights
	KPI B6.4	Description of quality assurance process and recall procedures.	6.1 Enhancing Product Quality
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	9. Information Management
Aspect B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	7. Compliance Operation 7.1 Formulation and Implementation of the Anti-corruption System 7.2 Requirements and Implementation of Employee's Code of Conduct 7.3 Surveillance and Whistleblowing
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	7.3 Surveillance and Whistleblowing
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	7.3 Surveillance and Whistleblowing
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	7.4 Establishing a Corruption-free Culture
Aspect B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	12. Community Involvement
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	12. Community Involvement
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	12. Community Involvement

# Independent Auditor's Report

To the Shareholders of Tat Hong Equipment Service Co., Ltd.  
(incorporated in the Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Tat Hong Equipment Service Co., Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 96 to 163, comprise:

- the consolidated statement of financial position as at 31 March 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, 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 (“**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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

### 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.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition of one-stop tower crane solution services
- Impairment assessment of contract assets and trade receivables

## Independent Auditor's Report

### Key Audit Matter

#### Revenue recognition of one-stop tower crane solution services

Refer to Note 2.21 in the summary of significant accounting policies, Notes 5 and 6 to the consolidated financial statements.

The Group derives its revenues from one-stop tower crane solution services and dry lease which amounted to approximately RMB862,359,000 and RMB4,661,000 for the year ended 31 March 2022, respectively.

One-stop tower crane solution services contains lease component ("**Operating Lease**") and non-lease component ("**Hoisting Service**"). The total consideration of the service contract is allocated to the Operating Lease and Hoisting Service, based on the relative stand-alone selling prices, using the expected costs plus margin approach. Revenue from Operating Lease is recognised on a straight-line basis over the lease term. Revenue from Hoisting Service is recognised over the service period using input method, which is on the basis of the Group's inputs to the satisfaction of Hoisting Service.

Significant effort was spent in auditing revenue recognised due to the large volume of transactions and management's judgement and estimates used in determining project duration and cost of completion.

### How our audit addressed the Key Audit Matter

We obtained an understanding of the management's internal control and assessment process of revenue recognition and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, mainly complexity.

We evaluated and tested the key controls over the revenue recognition.

We compared the current year actual results including the project duration with contract terms, and compared the actual costs with the prior year estimation to assess the effectiveness of management's estimation process.

We tested the total contract prices of projects, on a sample basis, to the project contracts, adjustment confirmations of project duration and settlement confirmations between the Group and its customers.

We tested, on a sample basis, the actual costs incurred during the year and the cost of completion of selected projects, which were used as a basis for the allocation of total consideration, to supporting documents such as the purchase contracts, the salary lists, the suppliers' invoices and management's forecast on cost of completion with reference to historical cost pattern.

We recalculated the allocation of the total consideration of service contracts to Operating Lease and Hoisting Service.

We recalculated the revenue of Operating Lease recognised based on the expected project duration on a straight-line basis.

We recalculated the progress of Hoisting Service based on the latest actual cost incurred and expected total cost, and further recalculated the revenue of Hoisting Service using input method.

Based on our work performed, we found management's judgements and estimates used in the revenue recognition were supported by available evidences.

## Independent Auditor's Report

### Key Audit Matter

#### Impairment assessment of contract assets and trade receivables

Refer to Note 2.8, 2.11 and 2.23 in the summary of significant accounting policies, Note 3.1 in the Financial risk management, Notes 5 and 23 to the consolidated financial statements.

As at 31 March 2022, the Group recognized contract assets and trade receivables of RMB313,727,000 and RMB594,066,000 respectively and the loss allowance on contract assets and trade receivables is approximately RMB1,287,000 and RMB11,882,000, respectively. The Group recorded provision for net impairment loss on contract assets and trade receivables in the consolidated statements of comprehensive income of approximately RMB6,592,000 for the year ended 31 March 2022.

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics. For trade receivables and contract assets that do not share same credit risk characteristics with others, management assessed their expected credit losses on an individual basis. For trade receivables and contract assets that share same credit risk characteristics with others, the Group estimated the expected credit losses based on estimation about risk of default and expected credit loss rates. Management calculated the historical default rate based on the payment profile of debtors, including sales and the related bad debts in the observed period. The expected lifetime loss is estimated based on internal historical data with adjustment to reflect current conditions and forward looking factors such as the Gross Domestic Product ("GDP").

We focused on this area due to the significant management estimates involved in the impairment assessment of contract assets and trade receivables which are subjective.

### How our audit addressed the Key Audit Matter

We obtained an understanding of management's internal control and assessment process of impairment of contract assets and trade receivables, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and subjectivity, etc.

We evaluated and tested the key controls over the impairment assessment of contract assets and trade receivables, including the review of ageing and collectability of the receivable balances, and the review and approval of the model and assumptions used in expected credit loss assessment.

We tested, on a sample basis, the aging analysis of contract assets and trade receivables at year end to supporting documents.

For trade receivables and contract assets assessed on an individual basis, we evaluated appropriateness of the judgements used by management by examining of the historical payment documents, on a sample basis, and checking the financial position and creditworthiness of debtors.

For trade receivables and contract assets assessed on group basis, we assessed the historical default rate by considering the payment profile of debtors. We tested the historical data used in the calculation of the historical default rate, including sales and the related bad debts, on a sample basis, to supporting documents.

We evaluated, with assistance from our internal expert, management's assessment of current conditions and forward looking factors including the GDP, with reference to external data sources.

Based upon the above procedures, we found that the significant management estimates involved in the impairment assessment of contract assets and trade receivables were supported by available evidences.

## Independent Auditor's Report

### OTHER INFORMATION

The directors of the Company 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 AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 is responsible 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 HKSAAs 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 HKSAAs, we exercise professional judgment and maintain professional scepticism 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.

## Independent Auditor's Report

- 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.
- 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 regarding, 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 eliminate 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 CHAN Chiu Kong, Edmond.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 29 June 2022



## Consolidated Statement of Comprehensive Income

	Note	Year ended 31 March	
		2022 RMB'000	2021 RMB'000
Revenue	6	<b>867,020</b>	792,959
Cost of sales	9	<b>(632,881)</b>	(519,676)
<b>Gross profit</b>		<b>234,139</b>	273,283
Selling and distribution expenses	9	<b>(17,526)</b>	(18,794)
General and administrative expenses	9	<b>(129,169)</b>	(87,397)
Research and development expenses	9	<b>(25,433)</b>	(24,337)
(Provision for)/reversal of financial assets and contract assets	3.1	<b>(6,592)</b>	1,711
Other income	7	<b>14,677</b>	5,247
Other losses, net	8	<b>(3,991)</b>	(564)
<b>Operating profit</b>		<b>66,105</b>	149,149
Finance costs	10	<b>(21,096)</b>	(13,967)
Finance income	10	<b>861</b>	727
<b>Profit before income tax</b>		<b>45,870</b>	135,909
Income tax credit/(expense)	11	<b>1,765</b>	(34,674)
<b>Profit for the year</b>		<b>47,635</b>	101,235
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>47,635</b>	101,235
<b>Other comprehensive income, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		<b>241</b>	(232)
Other comprehensive income for the year, net of tax		<b>241</b>	(232)
<b>Total comprehensive income for the year, net of tax</b>		<b>47,876</b>	101,003
<b>Basic and diluted earnings per share</b>	15	<b>0.04</b>	0.11

The notes on page 101 to 163 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 29 June 2022 and were signed on its behalf.

**Yau Kok San**  
Director

**Lin Han-wei**  
Director

## Consolidated Statement of Financial Position

	Note	As at 31 March	
		2022	2021
		RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	1,560,462	1,136,550
Right-of-use assets	18	81,185	94,401
Intangible assets	19	25,569	30,034
Contract assets	5	27,296	32,916
Other non-current assets	20	31,528	46,818
		<b>1,726,040</b>	1,340,719
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories	22	33,813	21,022
Contract assets	5	285,144	234,269
Trade receivables	23	582,184	454,428
Prepayments and other receivables	24	96,232	66,913
Financial assets at fair value through other comprehensive income	25	25,363	14,058
Financial assets at fair value through profit or loss	26	—	200,816
Cash and cash equivalents	27	169,858	149,515
		<b>1,192,594</b>	1,141,021
<b>Total current assets</b>			
		<b>2,918,634</b>	2,481,740
<b>Total assets</b>			

The notes on page 101 to 163 are an integral part of these consolidated financial statements.

## Consolidated Statement of Financial Position (Continued)

	Note	As at 31 March	
		2022 RMB'000	2021 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	32	474,873	356,696
Lease liabilities	18	34,375	34,177
Deferred income tax liabilities	31	70,706	84,037
Provisions	35	28,144	23,770
<b>Total non-current liabilities</b>		<b>608,098</b>	498,680
<b>Current liabilities</b>			
Trade and bills payables	33	431,444	169,623
Contract liabilities	5	15,060	8,325
Other payables and accruals	34	68,315	66,292
Borrowings	32	167,093	125,932
Lease liabilities	18	24,353	33,013
Provisions	35	34,438	28,946
<b>Total current liabilities</b>		<b>740,703</b>	432,131
<b>Total liabilities</b>		<b>1,348,801</b>	930,811
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	28	593,026	593,026
Reserves	29	520,845	539,690
Retained earnings		455,962	418,213
<b>Total equity</b>		<b>1,569,833</b>	1,550,929
<b>Total equity and liabilities</b>		<b>2,918,634</b>	2,481,740

The notes on page 101 to 163 are an integral part of these consolidated financial statements.

## Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 April 2020	441,458	—	243,605	32,690	12	331,862	1,049,627
Profit for the year	—	—	—	—	—	101,235	101,235
Other comprehensive income:							
— Currency translation difference	—	—	—	—	(232)	—	(232)
Total comprehensive income	—	—	—	—	(232)	101,235	101,003
Dividends (Note 14)	—	—	—	—	—	(7,646)	(7,646)
Statutory reserve	—	—	—	7,238	—	(7,238)	—
Issue of shares (Note 28)	151,568	256,377	—	—	—	—	407,945
At 31 March 2021	593,026	256,377	243,605	39,928	(220)	418,213	1,550,929
At 1 April 2021	593,026	256,377	243,605	39,928	(220)	418,213	1,550,929
Profit for the year	—	—	—	—	—	47,635	47,635
Other comprehensive income:							
— Currency translation difference	—	—	—	—	241	—	241
Total comprehensive income	—	—	—	—	241	47,635	47,876
Dividends (Note 14)	—	(58,024)	—	—	—	—	(58,024)
Share award scheme — value of employee services (Note 30)	—	—	—	—	29,052	—	29,052
Statutory reserve	—	—	—	9,886	—	(9,886)	—
<b>At 31 March 2022</b>	<b>593,026</b>	<b>198,353</b>	<b>243,605</b>	<b>49,814</b>	<b>29,073</b>	<b>455,962</b>	<b>1,569,833</b>

The notes on page 101 to 163 are an integral part of these consolidated financial statements.

## Consolidated Statement of Cash Flows

	Note	Year ended 31 March	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	36	264,299	312,157
Interest received		861	1,439
Interest paid		(23,208)	(21,327)
Income taxes paid		(17,982)	(26,699)
<b>Net cash inflow from operating activities</b>		<b>223,970</b>	265,570
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(579,120)	(288,830)
(Proceeds from redemption of)/Payments for financial assets at fair through profit or loss		200,050	(200,050)
Interest received on financial assets at fair through profit or loss		2,003	—
Proceeds from disposals of property, plant and equipment and right-of-use assets	36	63,167	23,431
<b>Net cash outflow from investing activities</b>		<b>(313,900)</b>	(465,449)
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		—	407,945
Proceeds from borrowings	36	614,960	152,348
Repayment of borrowings	36	(450,876)	(193,663)
Loans from a related party	36, 38	—	21,437
Repayment of loans from a related party	36, 38	—	(31,808)
Payments for lease liabilities	36	(24,418)	(31,831)
Payments of listing expenses		—	(10,116)
Dividend paid to the Company's shareholders	14	(28,937)	(7,646)
<b>Net cash inflow from financing activities</b>		<b>110,729</b>	306,666
<b>Net increase in cash and cash equivalents</b>		<b>20,799</b>	106,787
<b>Cash and cash equivalents at beginning of the year</b>	27	<b>149,515</b>	44,430
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(456)</b>	(1,702)
<b>Cash and cash equivalents at end of the year</b>	27	<b>169,858</b>	149,515

The notes on page 101 to 163 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

## 1 GENERAL INFORMATION OF THE GROUP

Tat Hong Equipment Service Co., Ltd. (the “**Company**”) was incorporated in the Cayman Islands on 26 August 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “**Group**”) are principally engaged in one-stop tower crane solution services from consultation, technical solution design, commissioning, construction to after-sale service primarily to the State Owned and other contractors in People’s Republic of China (the “**PRC**”). The ultimate parent company of the Group is Chwee Cheng & Sons Pte. Ltd., a company incorporated in Singapore on 22 January 1994 with limited liability.

The Company’s shares have been listed on the Stock Exchange of Hong Kong Limited since 13 January 2021.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 June 2022.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets which are measured at fair value.

#### (a) *New and amended standard adopted by the Group*

The Group has applied the following standard and amendment for the first time for their annual financial period commencing 1 April 2021:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform	1 January 2022
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

This newly adopted standards did not have material impact on the Group’s accounting policies and did not require retrospective adjustments.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

**(b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 March 2022 and have not been early adopted by the Group.**

		<b>Effective for annual periods beginning on or after</b>
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is currently assessing the impact of applying these new standards and amendments. At this stage, the Group does not intend to early adopt any of these new standards or expect these new standards and amendments, to have significant impact on the consolidated financial statements.

#### 2.2 Subsidiaries

##### **Consolidation**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains/(losses) on transactions between group companies are eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.2 Subsidiaries (Continued)

##### **Business combination**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.



## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Subsidiaries *(Continued)*

##### ***Separate financial statements***

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in the subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the year the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

#### 2.4 Foreign currencies

##### ***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 RMB, which is the Company's functional and the Group's presentation currency.

##### ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income on a net basis within "Other (losses)/gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

##### ***Group companies***

The results and financial position of all the Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the end of the reporting period;

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.4 Foreign currencies (Continued)

##### **Group companies (Continued)**

- (b) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) all resulting currency translation differences are recognised in other comprehensive income/(losses).

#### 2.5 Property, plant and equipment

All Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items and the initial estimate of the costs of installing and dismantling the items operated during the lease and service period. These costs are depreciated during the lease and service period (Please refer to Note 2.21 for details).

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 asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss during the year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Machinery	15–20 years
Transportation	5 years
Office equipment	5 years
Leasehold improvements	5 years, or over lease term, whichever is the shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains, net" in the consolidated statements of comprehensive income.

#### 2.6 Intangible assets

##### **Patent**

Patents represent the patent rights for utility model or design. Patents are stated at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 10 years. The Group determined the patents to have a useful life of 10 years which reflects the pattern that the patents' future economic benefits are expected to be consumed.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.6 Intangible assets *(Continued)*

##### **Software**

Software is stated at historical cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of 3–5 years.

##### **Research and development**

Research expenditures are recognised as an expense as incurred. Costs incurred on development projects of patent and software are capitalised as intangible assets when recognition criteria are met, including:

- (a) it is technically feasible to complete patent and software so that it will be available for use;
- (b) management intends to complete patent and software and use or sell it;
- (c) there is an ability to use or sell patent and software;
- (d) it can be demonstrated how patent and software will generate probable future economic benefits;
- (e) adequate technical, financial and other resources to complete the development and to use or sell patent and software are available; and
- (f) the expenditure attributable to patent and software during its development can be reliably measured.

Other development costs that do not meet those criteria are expensed as incurred.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

#### 2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.8 Financial assets

##### 2.8.1 Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### 2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### 2.8.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.8 Financial assets *(Continued)*

##### 2.8.3 Measurement *(Continued)*

###### *Debt instruments (Continued)*

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognised in "Other (losses)/gains, net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in "Other (losses)/gains, net" in the period in which it arises.

##### 2.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 23 for further details.

#### 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

#### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventories are determined after deducting rebates and discounts. 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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.11 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

#### 2.12 Cash and cash equivalents

In the consolidated cash flow statements, cash and cash equivalents include cash on hand, demand deposits held at banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 2.13 Share capital and share premium

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

#### 2.14 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.15 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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.

Other borrowing costs are expensed in the period in which they are incurred.

#### 2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

##### ***Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.17 Current and deferred income tax (Continued)

##### *Deferred income tax (Continued)*

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### 2.18 Employee benefits

##### *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statements of financial position.

##### *Pension obligations*

Full-time employees in the PRC are covered by various government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no further payment obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

##### *Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.



## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.19 Share-based payments

##### *Share-based payment transactions among Group entities*

One of the shareholders of the Company awarded certain of equity instruments of the Company to the Group's employees. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in equity expenses, with a corresponding credit to equity in the Company's consolidated financial statements.

#### 2.20 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The costs of installation and dismantlement of the machinery are initially recognised as the obligation, capitalised as part of machinery, and classified as decommissioning liabilities.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### 2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates, returns and discounts and after eliminating sales within the Group. The Group recognises revenue when it transfers control of the goods or services to a customer.

##### *One-stop tower crane solution services*

The Group provides one-stop tower crane solution services to its customers. The service contract with customers contains lease component ("**Operating Lease**") and non-lease component ("**Hoisting Service**").

The customers have the option to renew or early terminate the contract based on its actual construction progress. The Group determines the contract term based on the Operating Lease term, considering the likelihood that the renewal option and termination option are exercised by customers. The total consideration of the service contract is allocated to the Operating Lease and Hoisting Service, based on the relative stand-alone selling prices, using the expected cost plus margin approach.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 2.21 Revenue recognition (Continued)

##### **One-stop tower crane solution services (Continued)**

- The Group accounts for the Hoisting Service as a separate performance obligation. Revenue from Hoisting Service is recognised over the service period because customers can simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. The progress towards complete satisfaction of performance obligation is measured by input method, which is on the basis of the Group's inputs to the satisfaction of Hoisting Service, mainly including labour hours incurred, relative to the total expected inputs to the satisfaction of Hoisting Service.
- Revenue from Operating Lease is recognised on a straight-line basis over the lease term.

When the customer exercises the option to renew or early terminate the contract, the Group revises the contract term. Any prepaid lease payments relating to the original lease are considered as part of the payments for the new lease, and they are spread over the new term of the modified Operating Lease. The additional consideration from the exercise of the option does not reflect a separate performance obligation. The new total consideration (consideration of remaining contract plus consideration of new contract) is reallocated to lease and non-lease component when the customer exercises the option.

##### **Dry lease**

The Group also provides dry lease to customers, which does not contain hoisting service. Revenue from dry lease is recognised on a straight-line basis over the lease term.

#### 2.22 Earnings per share

##### **(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### **(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.23 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

#### 2.24 Leases

The Group leases properties, machineries and lands as lessee. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

## Notes to the Consolidated Financial Statements

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.24 Leases *(Continued)*

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

To determine the incremental borrowing rate, the Group:

- uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

Lease income from operating leases where the Group is a lessor is recognised in revenue on a straight-line basis over the lease term (Note 2.21). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statements of financial position based on their nature.

#### 2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

#### 2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity 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.

##### **Foreign exchange risk**

The Group mainly operates in the PRC with functional currency as RMB. Foreign exchange risk arises from commercial transactions and recognised assets and liabilities including cash and cash equivalents, borrowings, and other payables and accruals denominated in SGD, USD and HKD which is not the functional currency of the relevant group entities. The Group may consider to enter into cross currency swap to hedge the foreign exchange risk.

As at 31 March 2022, if SGD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the year would have been approximately RMB1,392,000 (2021: RMB15,989,000) lower/higher.

As at 31 March 2022, if USD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the year would have been approximately RMB12,730,000 lower/higher (2021: RMB5,000 higher/lower).

As at 31 March 2022, if HKD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the year would have been approximately RMB890,000 lower/higher (2021: RMB425,000 higher/lower).

##### **Cash flow and fair value interest rate risk**

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and loans from a related party.

As at 31 March 2022, if interest rates increased or decreased by 50 base points and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately RMB2,785,000 (2021: RMB2,186,000) as a result of increase or decrease in net interest expense.

As the Group has no significant interest-bearing assets except for the cash and bank balances, the Group's income and operating cash flows are substantially independent of changes in market interest rates. However, the exposure in this regard is considered to be minimal as the bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### **Credit risk**

The Group is exposed to credit risk in relation to its cash and cash equivalents, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, contract assets and trade and other receivables. The carrying amounts of trade and other receivables, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk on trade debtors is managed by the management of the individual business units and monitored by the Group's management on a group basis. Most customers are sizable and renowned. Management assesses the credit quality of smaller customers by considering their financial position, past experience therewith and other relevant factors. The utilisation of credit limits is regularly monitored.

##### (i) *Credit risk of cash and cash equivalents*

To manage this risk arising from bank balances, the Group primarily transacts with reputable banks which are all high-credit-quality financial institutions. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

##### (ii) *Credit risk of contract assets and trade receivables*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of customers; and
- significant changes in the expected performance and behaviour of the customers, including changes in the payment status.

The expected loss rates are based on the payment profiles of sales over a period of at least 60 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors.

For trade receivables and contract assets that do not share same credit risk characteristics with others, the Group assessed their expected credit losses on an individual basis.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### Credit risk (Continued)

##### (ii) Credit risk of contract assets and trade receivables (Continued)

	Within credit term RMB'000	Less than 180 days past due RMB'000	181 days to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
<b>31 March 2022</b>						
<b>Trade receivables</b>						
Gross carrying amount	138,083	224,863	89,272	98,000	43,848	594,066
Expected loss rate	(0.40%)	(1.22%)	(1.96%)	(2.13%)	(10.81%)	(2.00%)
Loss allowance	(557)	(2,749)	(1,748)	(2,088)	(4,740)	(11,882)
<b>Contract assets</b>						
<b>— current and non-current</b>						
Gross carrying amount	313,727	—	—	—	—	313,727
Expected loss rate	(0.40%)	—	—	—	—	(0.40%)
Loss allowance	(1,287)	—	—	—	—	(1,287)
<b>31 March 2021</b>						
<b>Trade receivables</b>						
Gross carrying amount	96,531	203,899	75,201	58,850	25,642	460,123
Expected loss rate	(0.33%)	(0.71%)	(1.20%)	(1.63%)	(8.05%)	(1.24%)
Loss allowance	(318)	(1,448)	(905)	(959)	(2,065)	(5,695)
<b>Contract assets</b>						
<b>— current and non-current</b>						
Gross carrying amount	268,076	—	—	—	—	268,076
Expected loss rate	(0.33%)	—	—	—	—	(0.33%)
Loss allowance	(891)	—	—	—	—	(891)

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### Credit risk (Continued)

##### (ii) Credit risk of contract assets and trade receivables (Continued)

The movements in provision for impairment of contract assets and trade receivables are as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
<b>Contract assets</b>		
At the beginning of the year	891	1,585
Provision for/(reversal of) previous impairment losses	396	(694)
	<hr/>	<hr/>
At the end of the year	1,287	891
	<hr/>	<hr/>
<b>Trade receivables</b>		
At the beginning of the year	5,695	6,717
Provision for/(reversal of) previous impairment losses	6,196	(1,017)
Currency translation differences	(9)	(5)
	<hr/>	<hr/>
At the end of the year	11,882	5,695
	<hr/>	<hr/>

##### (iii) Credit risk of other receivables

Other receivables mainly comprise deposits and other receivables. The Directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the years ended 31 March 2021 and 2022. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party's ability to meet its obligations;
- actual or expected significant changes in the operating results of the third party;
- significant changes in the expected performance and behavior of the third party, including changes in the payment status of the third party.

As at 31 March 2021 and 2022, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.



## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### Credit risk (Continued)

(iv) Credit risk of financial assets at fair value through other comprehensive income

All of the Group's financial assets at fair value through other comprehensive income are considered to have low credit risk because they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(v) Credit risk of financial assets at fair value through profit or loss

The Group's financial assets at fair value through profit or loss mainly comprise structured deposits issued by a listed bank. It is considered to have low credit risk because principal of structured deposits is guaranteed. The deposits have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

##### Liquidity risk

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<b>As at 31 March 2022</b>					
Borrowings	167,093	93,184	381,689	—	641,966
Trade and bills payables	431,444	—	—	—	431,444
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	14,874	—	—	—	14,874
Interest payable	26,577	17,711	24,307	—	68,595
Lease liabilities	30,620	16,392	17,358	8,376	72,746
	<b>670,608</b>	<b>127,287</b>	<b>423,354</b>	<b>8,376</b>	<b>1,229,625</b>

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### Credit risk (Continued)

(v) Credit risk of financial assets at fair value through profit or loss

Liquidity risk (Continued)

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<b>As at 31 March 2021</b>					
Borrowings	125,932	78,932	277,764	—	482,628
Trade and bills payables	169,623	—	—	—	169,623
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	35,351	—	—	—	35,351
Interest payable	12,187	7,337	5,166	—	24,690
Lease liabilities	37,624	18,505	15,063	1,774	72,966
	<b>380,717</b>	<b>104,774</b>	<b>297,993</b>	<b>1,774</b>	<b>785,258</b>

#### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the net debt to total capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, loans from a related party and lease liabilities less cash and cash equivalents. Total capital is calculated as 'total equity' as shown in the consolidated statements of financial position plus net debt.

The net debt to total capital ratios at 31 March 2021 and 2022 were as follows:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Net debt	<b>530,836</b>	400,303
Total equity	<b>1,569,833</b>	1,550,929
Total capital	<b>2,100,669</b>	1,951,232
The net debt to total capital ratio	<b>25%</b>	21%

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation

Financial instruments carried at fair value or where fair value was disclosed can be categorised by levels of the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels within a fair value hierarchy as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at March 31, 2022				
Assets				
Financial assets at fair value through other comprehensive income	—	—	25,363	25,363
As at March 31, 2021				
Assets				
Financial assets at fair value through other comprehensive income	—	—	14,058	14,058
Financial assets at fair value through profit or loss	—	—	200,816	200,816
	—	—	214,874	214,874

There were no transfers between Level 1, 2 and 3 during year.

Level 3 financial assets at fair value through profit or loss mainly comprised structured deposits which were not traded in an active market. The fair value of the structured deposits was determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. The structured deposits were principal guaranteed and the yield were linked to the exchange rate.

Level 3 financial assets at fair value through other comprehensive income comprise bank and commercial acceptance notes that are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned banks.

## Notes to the Consolidated Financial Statements

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.3 Fair value estimation (Continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements of financial assets at fair value through other comprehensive income:

Fair value		Un-observable	Inputs (probability-weighted average)	
As at 31 March			Year ended 31 March	
2022	2021		2022	2021
RMB'000	RMB'000			
25,363	14,058	Discount rates quoted in main state-owned banks	3.92%	4.56%

The higher the discount rates quoted in main state-owned banks, the lower the fair value is.

Increasing/decreasing the discount rates quoted in main state-owned banks by 0.5% would decrease/increase the fair values as at 31 March 2021 and 2022 by approximately RMB90,000/RMB 91,000 and RMB75,000/RMB 75,000, respectively.

### 4 CRITICAL ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below.

#### Revenue recognition

The total consideration of the service contract is allocated to the Operating Lease and the Hoisting Service, based on the relative stand-alone selling prices, using the expected cost plus margin approach. Judgment is needed to determine the cost and an appropriate margin included in the estimate. The expected cost of the Operating Lease and Hoisting Service of each contract are estimated separately by the management according to the project forecast. The management determines the reasonable margin for Operating Lease and Hoisting Service, considering the margins achieved on standalone sales of similar service, market data related to historical margins within the industry and project objectives, etc.

The Group applies input method to measure the progress of Hoisting Services provided by the Group, which is based on the entity's inputs to the satisfaction of Hoisting Service relative to the total expected inputs to the satisfaction of Hoisting Service. Because of the nature of the activity undertaken in hoisting, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. In the contract progress, the management of the Group regularly reviews the transaction price and contract modification, contract costs in the budget prepared for each contract, the progress of the contracts performance and the accumulated actual cost. If there are circumstances that there are changes in the transaction price, the contract costs in the budget or the progress of the contract performance, estimates are revised. These revisions may result in increasing or decreasing in estimated revenues or costs in the consolidated statements of comprehensive income.

## Notes to the Consolidated Financial Statements

### 4 CRITICAL ESTIMATES AND JUDGEMENTS *(Continued)*

#### **Impairment of contract assets and trade receivables**

The loss allowance for contract assets and trade receivables disclosed in Note 3.1 is based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts of the Group's contract assets and trade receivables are disclosed in Note 5 and Note 23.

#### **Impairment and useful lives of property, plant and equipment**

The Group follows the guidance of HKAS 36 to determine when property, plant and equipment is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates internal and external source information, including but not limited to whether:

- (i) During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- (ii) Significant changes with an adverse effect on the entity have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated;
- (iii) Evidence is available of obsolescence or physical damage of an asset; and
- (iv) Evidence is available from internal reporting which indicates that the economic performance of an asset is, or will be, worse than expected.

Management estimates useful lives of the property, plant and equipment by reference to the Group's assets management policy, the industry practice, and technical or commercial obsolescence arising from changes or improvements in the market. The depreciation expense will be significantly affected by the useful lives of the property, plant and equipment as estimated by management.

#### **Income taxes and deferred income tax**

There are certain 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is likely that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such estimates are changed.

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION

The executive directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The operating segments derive their revenue primarily from the tower crane service.

No geographical segment information is presented as all the revenue and operating profits of the Group are derived within PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

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

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Customer A	<b>172,072</b>	132,863

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
<b>Contract assets</b>		
Non-current	<b>27,408</b>	33,003
Loss allowance	<b>(112)</b>	(87)
	<b>27,296</b>	32,916
<b>Current</b>	<b>286,319</b>	235,073
Loss allowance	<b>(1,175)</b>	(804)
	<b>285,144</b>	234,269
Total contract assets	<b>312,440</b>	267,185
<b>Contract liabilities</b>		
— Advances from equipments	<b>11,521</b>	1,166
— Advances from operating lease	<b>3,539</b>	7,159
	<b>15,060</b>	8,325

## Notes to the Consolidated Financial Statements

### 5 SEGMENT INFORMATION *(Continued)*

#### (i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	<b>6,566</b>	6,501

#### (ii) Unsatisfied performance obligations

The following table shows unsatisfied one-stop tower crane solution services and dry lease resulting from long-term contracts which have not been commenced or have been commenced but not yet been completed.

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
One-stop tower crane solution services	<b>668,331</b>	749,241
Dry lease	<b>3,128</b>	2,244
	<b>671,459</b>	751,485

The Company expects that unsatisfied one-stop tower crane solution services and dry lease of approximately RMB496,821,000 as of 31 March 2022 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB174,638,000 will be recognised as revenue after 1 year but less than 5 years.

## Notes to the Consolidated Financial Statements

### 6 REVENUE

An analysis of revenue is as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
<b>Timing of revenue recognition</b>		
<b>– Over the time</b>		
One-stop tower crane solution services:		
– Operating Lease	396,262	418,410
– Hoisting Service	466,097	370,094
Dry lease	4,661	4,455
	<b>867,020</b>	<b>792,959</b>

### 7 OTHER INCOME

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Value-added tax refund	6,330	3,545
Government grants	7,984	1,518
Others	363	184
	<b>14,677</b>	<b>5,247</b>

Government grants provided to the Group mainly related to financial assistance from the local government in the PRC. There are no unfulfilled conditions or other contingencies attaching to these grants.



## Notes to the Consolidated Financial Statements

### 8 OTHER LOSSES, NET

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	1,237	766
Exchange losses	(456)	(1,702)
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(4,772)	372
	<b>(3,991)</b>	<b>(564)</b>

### 9 EXPENSES BY NATURE

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Depreciation of property, plant and equipment and right-of-use assets (Notes 17 and 18)	263,829	227,491
Labour subcontracting cost	266,364	209,898
Employee benefit expenses (Note 12)	107,998	80,958
Share award schemes (Note 30)	29,052	—
Rental expenses	28,537	17,421
Material fees	19,583	22,380
Travel expenses	18,406	19,940
Repair expenses	16,114	10,897
Commission expenses	9,458	7,025
Professional fees	6,858	2,906
Entertainment expenses	6,734	6,262
Transportation expenses	6,498	6,691
Office expenses	4,652	5,461
Amortisation of intangible assets (Note 19)	4,465	4,503
Auditor's remuneration	3,072	1,305
Listing expenses	—	11,809
Others	13,389	15,257
	<b>805,009</b>	<b>650,204</b>

## Notes to the Consolidated Financial Statements

### 10 FINANCE COSTS AND INCOME

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Finance costs:		
Interest expenses on borrowings and loans from a related party	<b>23,274</b>	22,779
Interest expenses on lease liabilities	<b>2,824</b>	4,064
Net exchange gains on foreign currency borrowings and loans from a related party	<b>(5,002)</b>	(12,876)
	<hr/>	<hr/>
Total finance costs	<b>21,096</b>	13,967
	<hr/>	<hr/>
Finance income:		
Interest income	<b>(861)</b>	(727)
	<hr/>	<hr/>
Finance costs — net	<b>20,235</b>	13,240
	<hr/>	<hr/>

### 11 INCOME TAX (CREDIT)/EXPENSE

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Current tax on profits for the year	<b>11,566</b>	18,042
Deferred income tax	<b>(13,331)</b>	16,632
	<hr/>	<hr/>
Income tax (credit)/expense	<b>(1,765)</b>	34,674
	<hr/>	<hr/>

## Notes to the Consolidated Financial Statements

### 11 INCOME TAX (CREDIT)/EXPENSE (Continued)

The difference between the actual income tax expense charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before taxation can be reconciled as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Profit before taxation	<b>45,870</b>	135,909
Tax calculated at tax rates applicable to profits of the respective subsidiaries	<b>12,270</b>	31,935
Expenses not deductible for tax purposes	<b>3,094</b>	899
Temporary difference for which no deferred tax asset was recognised	<b>(5)</b>	357
Tax losses for which no deferred tax asset was recognised	<b>2,989</b>	2,864
Effect from changes in tax rate	<b>(16,914)</b>	—
Utilisation of the tax losses unrecognised previously	<b>(854)</b>	(147)
Super deductions from research and development expenditures	<b>(2,345)</b>	(2,154)
Withholding tax	<b>—</b>	920
Income tax (credit)/expense	<b>(1,765)</b>	34,674

The Group's subsidiary in Singapore is subject to Singapore corporate income tax at a rate of 17% on estimated assessable profits.

The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

Pursuant to the relevant laws and regulation in the PRC, in November 2021, the Group's subsidiaries, China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. ("**Huaxing Tat Hong**") and JiangSu ZhongJian Tat Hong Machinery Construction Co. Ltd. ("**Zhongjian Tat Hong**"), were accredited as high-tech enterprises, and were entitled to the preferential tax rate of 15% for three years effective from 2021. The qualification of high-tech enterprise is subject to renewal for each three years interval.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax.

## Notes to the Consolidated Financial Statements

### 12 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	82,857	64,973
Pension costs-defined contribution plans	7,116	1,317
Other social security and housing fund	9,199	6,767
Other employee benefits	8,826	7,901
	<b>107,998</b>	<b>80,958</b>

### 13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

#### (a) Five highest paid individuals

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Share award scheme	17,483	—
Wages, salaries and bonuses	10,630	8,226
Pension costs-defined contribution plans	170	26
Other social security and housing fund	214	184
Other employee benefits	—	144
	<b>28,497</b>	<b>8,580</b>

The annual emoluments of the five highest paid individuals, including two directors (2021: including two directors), fell within the following bands:

	Year ended 31 March	
	2022	2021
Nil to HKD1,000,000	0	0
HKD1,000,000 to HKD1,500,000	0	1
HKD1,500,000 to HKD2,000,000	0	2
HKD2,000,000 to HKD2,500,000	0	1
HKD2,500,000 to HKD3,000,000	0	1
HKD3,000,000 to HKD4,000,000	0	0
HKD4,000,000 to HKD5,000,000	1	0
HKD5,000,000 to HKD6,000,000	2	0
HKD9,000,000 to HKD10,000,000	2	0
	<b>5</b>	<b>5</b>

## Notes to the Consolidated Financial Statements

### 13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (b) Directors' and the chief executive officer's emoluments

The remuneration of every director and the chief executive officer is set out below:

For the year ended 31 March 2022:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Share award scheme RMB'000	Pension costs – defined contribution plans RMB'000	Other social security and housing fund RMB'000	Total RMB'000
<b>Chairman:</b>						
Ng San Tiong	–	–	–	–	–	–
<b>Executive directors:</b>						
Yau Kok San (also Chief Executive Officer)	–	3,140	4,696	–	–	7,836
Lin Han-wei	–	3,140	4,648	–	–	7,788
<b>Non-executive directors:</b>						
Ng San Tiong (also Chairman)	180	–	–	–	–	180
Sun Zhaolin	96	–	–	–	–	96
Liu Xin**	96	–	–	–	–	96
Guo Jinjun***	–	–	–	–	–	–
<b>Independent non-executive directors:</b>						
Pan I-shan	120	–	–	–	–	120
Wan Kum Tho	120	–	–	–	–	120
Huang Chao-Jen	120	–	–	–	–	120
Total:	732	6,280	9,344	–	–	16,356

\* Mr. Chen Baozhi resigned as a non-executive director of the Company in April 2021.

\*\* Mr. Liu Xin was appointed as a non-executive director of the Company in April 2021.

\*\*\* Mr. Guo Jinjun was appointed as a non-executive director of the Company in March 2022.

## Notes to the Consolidated Financial Statements

### 13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (b) Directors' and the chief executive officer's emoluments (Continued)

For the year ended 31 March 2021:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs — defined contribution plans RMB'000	Other social security and housing fund RMB'000	Total RMB'000
<b>Chairman:</b>					
Ng San Tiong	—	—	—	—	—
<b>Executive directors:</b>					
Yau Kok San (also Chief Executive Officer)	—	1,682	—	—	1,682
Lin Han-wei	—	1,682	—	—	1,682
<b>Non-executive directors:</b>					
Chen Baozhi <sup>*****</sup>	20	—	—	—	20
Sun Zhaolin	20	—	—	—	20
Ng San Tiong (also Chairman)	38	—	—	—	38
<b>Independent non-executive Directors:</b>					
Pan I-shan <sup>**</sup>	25	—	—	—	25
Wan Kum Tho <sup>***</sup>	25	—	—	—	25
Huang Chao-Jen <sup>****</sup>	25	—	—	—	25
Total:	153	3,364	—	—	3,517

\* Mr. Tay Ruixian, Jeremiah resigned as a non-executive director of the Company in July 2020.

\*\* Mrs. Pan I-shan was appointed as an independent non-executive director of the Company in December 2020.

\*\*\* Mr. Wan Kum Tho was appointed as an independent non-executive director of the Company in December 2020.

\*\*\*\* Mr. Huang Chao-Jen was appointed as an independent non-executive director of the Company in December 2020.

\*\*\*\*\* Mr. Chen Baozhi resigned as a non-executive director of the Company in April 2021.

#### (i) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the years ended 31 March 2021 and 2022.

#### (ii) Directors' termination benefits

None of the directors received or will receive any termination benefits for the year ended 31 March 2021 and 2022.

#### (iii) Directors' inducement to Join

No emoluments have been paid to directors and senior management as an inducement to join or upon joining the Group for the years ended 31 March 2022 and 2021.

## Notes to the Consolidated Financial Statements

### 13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (b) Directors' and the chief executive officer's emoluments (Continued)

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

During the years ended 31 March 2021 and 2022, the Company did not pay consideration to any third parties for making available directors' services.

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

Except as disclosed in Note 38, there are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 March 2021 and 2022.

##### (vi) 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 had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 March 2021 and 2022.

### 14 DIVIDENDS

Pursuant to the resolution of the shareholders' meeting held on 24 September 2020, dividends of RMB7,646,000 were approved by the Company to its shareholders. All dividend has been paid in cash during the year ended 31 March 2021.

Pursuant to the resolution of the shareholders' meeting held on 29 September 2021, dividends of RMB28,937,000 were approved by the Company to its shareholders. All dividend has been paid in cash during the year ended 31 March 2022.

Pursuant to the Board of Directors' resolution dated 26 November 2021, dividends of RMB29,087,000 were approved by the Company to its shareholders. All dividend has been paid in cash on 8 April 2022.

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Dividend payable at the beginning of the year	—	—
Declaration of dividends	58,024	7,646
Dividends paid	(28,937)	(7,646)
	<hr/>	<hr/>
Dividend payable at the end of the year	29,087	—

On 29 June 2022, the board of directors recommend a final dividend in respect of the year ended 31 March 2022 of HKD18,669,940, representing HKD0.016 per share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

## Notes to the Consolidated Financial Statements

### 15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue during the financial year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The fully diluted earnings per share for the financial year is the same as the basic earnings per share as there is no dilutive potential share during the financial year.

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Profit attributable to the ordinary equity holders of the Company	<b>47,635</b>	101,235
Weighted average number of ordinary shares in issue ('000)	<b>1,166,871</b>	937,491
Basic and diluted earnings per share (RMB)	<b>0.04</b>	0.11

### 16 INVESTMENT IN SUBSIDIARIES

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Investment in unlisted shares	<b>908,560</b>	894,842

The following is a list of subsidiaries at 31 March 2022:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Tat Hong Zhaomao Investment Group Co., Ltd. ("Tat Hong Zhaomao")	The PRC 23 April 2010	Limited liability company	USD62,700,000	100.00%	—	Investment holding, in the PRC
Huaxing Tat Hong	The PRC 24 June 2004	Limited liability company	RMB251,000,000	41.33%	58.67%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Shanghai Tat Hong Construction Service Co., Ltd.	The PRC 13 June 2006	Limited liability company	USD26,000,000	56.35%	43.65%	Finance lease of construction machinery and equipment, in the PRC



## Notes to the Consolidated Financial Statements

### 16 INVESTMENT IN SUBSIDIARIES (Continued)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Zhongjian Tat Hong	The PRC 4 July 2007	Limited liability company	USD13,000,000	42.31%	57.69%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Jiangsu Hengxingmao Financial Leasing Co., Ltd. ("Hengxingmao")	The PRC 14 July 2010	Limited liability company	USD27,300,000	63.37%	36.63%	Finance lease of construction machinery and equipment, in the PRC
Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd. ("Changzhou Tat Hong")	The PRC 13 Aug 2013	Limited liability company	RMB20,000,000	—	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Tat Hong Belt Road Pte. Ltd.	Singapore 21 August 2017	Limited liability company	SGD10	100.00%	—	Installation, maintenance and leasing of construction machinery and equipment, in Singapore
Chongqing Tat Hong Machinery Construction Co., Ltd.	The PRC 15 November 2017	Limited liability company	RMB5,000,000	—	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd.	The PRC 9 January 2019	Limited liability company	USD5,000,000	—	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC

## Notes to the Consolidated Financial Statements

## 17 PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Machinery RMB'000	Transportation RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in-progress RMB'000	Total RMB'000
<b>As at 31 March 2020 and 1 April 2020</b>							
Cost	7,901	1,823,485	9,452	7,542	11,786	4,251	1,864,417
Accumulated depreciation	(237)	(689,735)	(5,717)	(5,100)	(7,675)	—	(708,464)
Net book amount	7,664	1,133,750	3,735	2,442	4,111	4,251	1,155,953
<b>Year ended 31 March 2021</b>							
Opening net book amount	7,664	1,133,750	3,735	2,442	4,111	4,251	1,155,953
Additions	3,808	183,518	2,573	1,437	994	10,814	203,144
Disposals	—	(24,944)	(175)	(89)	(47)	(2,224)	(27,479)
Depreciation	(416)	(191,496)	(982)	(633)	(1,541)	—	(195,068)
Transfer	530	4,650	—	236	633	(6,049)	—
Net book amount	11,586	1,105,478	5,151	3,393	4,150	6,792	1,136,550
<b>As at 31 March 2021</b>							
Cost	12,240	1,850,057	10,273	8,439	12,953	6,792	1,900,754
Accumulated depreciation	(654)	(744,579)	(5,122)	(5,046)	(8,803)	—	(764,204)
Net book amount	11,586	1,105,478	5,151	3,393	4,150	6,792	1,136,550

## Notes to the Consolidated Financial Statements

### 17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Building RMB'000	Machinery RMB'000	Transportation RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Construction in-progress RMB'000	Total RMB'000
<b>Year ended 31 March 2022</b>							
Opening net book amount	11,586	1,105,478	5,151	3,393	4,150	6,792	1,136,550
Additions	107	688,428	2,880	2,316	2,285	15,082	711,098
Disposals	–	(52,427)	(77)	(58)	–	–	(52,562)
Depreciation	(628)	(230,331)	(1,542)	(918)	(1,205)	–	(234,624)
Transfer	3,232	9,630	–	15	–	(12,877)	–
Net book amount	14,297	1,520,778	6,412	4,748	5,230	8,997	1,560,462
<b>As at 31 March 2022</b>							
Cost	15,580	2,324,080	12,369	10,426	15,239	8,997	2,386,691
Accumulated depreciation	(1,283)	(803,302)	(5,957)	(5,678)	(10,009)	–	(826,229)
Net book amount	14,297	1,520,778	6,412	4,748	5,230	8,997	1,560,462

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	<b>Year ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Cost of sales	<b>228,305</b>	191,710
General and administrative expenses	<b>4,907</b>	1,971
Research and development expenses	<b>1,407</b>	1,381
Selling and distribution expenses	<b>5</b>	6
	<b>234,624</b>	195,068

As at 31 March 2022, the Group pledged machineries with carrying amount of approximately RMB689,201,000 (2021: RMB976,568,000) for the lease liabilities (Note 18) and bank borrowings of the Group (Note 32).

## Notes to the Consolidated Financial Statements

### 18 LEASES

#### (i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
<b>Right-of-use assets</b>		
Land-use rights	12,779	13,018
Machinery	31,503	51,438
Office	15,782	13,854
Warehouse	20,826	15,116
Others	295	975
	<b>81,185</b>	94,401
<b>Lease liabilities</b>		
Current	24,353	33,013
Non-current	34,375	34,177
	<b>58,728</b>	67,190

Additions to the right-of-use assets during the years ended 31 March 2022 were RMB36,057,000 (2021: RMB55,864,000).

As at 31 March 2022, the lease liabilities of RMB47,100 were secured by the pledge of machinery with carrying value of RMB15,534,000 (2021: RMB14,237,000).

As at 31 March 2022, the land-use rights with carrying value of approximately RMB12,779,000 (2021: nil) were secured for the bank borrowings of the Group (Note 32).

## Notes to the Consolidated Financial Statements

### 18 LEASES (Continued)

#### (ii) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
<b>Depreciation charge of right-of-use assets</b>		
Land-use rights	407	423
Machinery	18,332	24,468
Office	6,889	4,550
Warehouse	3,314	2,973
Others	263	9
	<b>29,205</b>	<b>32,423</b>
Interest expense (included in finance costs)	<b>2,824</b>	<b>4,064</b>

The total cash outflow for leases of the years ended 31 March 2022 were RMB52,955,000 (2021: RMB49,252,000).

### 19 INTANGIBLE ASSETS

	Software	Patent	Capitalised	Total
			development costs	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 March 2020 and 1 April 2020</b>				
Cost	8,946	36,654	852	46,452
Accumulated amortisation	(3,793)	(8,122)	—	(11,915)
Net book amount	5,153	28,532	852	34,537
<b>Year ended 31 March 2021</b>				
Opening net book amount	5,153	28,532	852	34,537
Amortisation charge (Note 9)	(831)	(3,672)	—	(4,503)
Transfer	852	—	(852)	—
Net book amount	5,174	24,860	—	30,034

## Notes to the Consolidated Financial Statements

## 19 INTANGIBLE ASSETS (Continued)

	<b>Software</b> RMB'000	<b>Patent</b> RMB'000	<b>Total</b> RMB'000
<b>As at 31 March 2021</b>			
Cost	9,798	36,654	46,452
Accumulated amortisation	(4,624)	(11,794)	(16,418)
Net book amount	5,174	24,860	30,034
<b>Year ended 31 March 2022</b>			
Opening net book amount	5,174	24,860	30,034
Amortisation charge (Note 9)	(793)	(3,672)	(4,465)
Net book amount	4,381	21,188	25,569
<b>As at 31 March 2022</b>			
Cost	9,798	36,654	46,452
Accumulated amortisation	(5,417)	(15,466)	(20,883)
Net book amount	4,381	21,188	25,569

Amortisation of the intangible assets has been recognised as follows:

	<b>Year ended 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Cost of sales	<b>4,240</b>	4,251
General and administrative expenses	<b>225</b>	252
	<b>4,465</b>	4,503

## 20 OTHER NON-CURRENT ASSETS

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Deposits	<b>28,620</b>	25,883
Prepayments for non-current assets (Note 24)	<b>2,908</b>	20,935
	<b>31,528</b>	46,818



## Notes to the Consolidated Financial Statements

### 23 TRADE RECEIVABLES

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Accounts receivable	<b>594,066</b>	460,123
Less: provision for impairment	<b>(11,882)</b>	(5,695)
	<b>582,184</b>	454,428

The majority of the Group's receivables are with credit term from 30 days to 90 days. At 31 March 2021 and 2022, the aging analysis of the trade receivables, based on due date, was as follows:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Within credit term	<b>138,083</b>	96,531
Less than 180 days past due	<b>224,863</b>	203,899
181 days to 365 days past due	<b>89,272</b>	75,201
1 to 2 years past due	<b>98,000</b>	58,850
More than 2 years past due	<b>43,848</b>	25,642
	<b>594,066</b>	460,123

For the trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

As at 31 March 2022 and at 31 March 2021, the Group pledged accounts receivable with carrying amount of approximately RMB20,337,000 (2021: RMB20,000,000) for the bank borrowings of the Group (Note 32).

The Group's trade receivables were denominated in RMB.



## Notes to the Consolidated Financial Statements

### 24 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Recoverable value-added tax ("VAT")	56,678	26,483
Staff advances	14,782	16,001
Prepaid expenses	7,124	3,900
Prepayments to vendors	6,830	16,586
Insurance claim receivables	5,087	4,881
Receivables for labour costs	3,298	5,976
Amounts due from related parties (Note 38)	2,332	—
Prepayments to related parties (Note 38)	2,014	8,480
Receivables for disposal of property, plant and equipment	954	5,473
Others	41	68
	<b>99,140</b>	87,848
Less: prepayments for non-current assets (Note 20)	<b>(2,908)</b>	(20,935)
	<b>96,232</b>	66,913

The carrying amounts of other receivables approximate their fair values.

### 25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income comprise:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Commercial acceptance notes	21,913	12,292
Bank acceptance notes	3,450	1,766
	<b>25,363</b>	14,058

As at 31 March 2022, the commercial acceptance bill with carrying value of RMB2,116,000 have been pledged for the bank borrowings of the Group (Note 32).

## Notes to the Consolidated Financial Statements

### 26 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Structured deposit	—	200,766
Others	—	50
	<b>—</b>	<b>200,816</b>

#### (i) Amounts recognised in profit or loss

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Net profit on structured deposit	<b>1,237</b>	766

#### (ii) Risk exposure and fair value measurements

The fair value of the structured deposits is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. The structured deposits are principal guaranteed and the yield are linked to the exchange rate.

### 27 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Cash and bank balances	<b>169,858</b>	149,515

Cash and cash equivalents are denominated in the following currencies:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
RMB	<b>158,857</b>	131,363
HKD	<b>10,533</b>	8,491
SGD	<b>358</b>	9,552
USD	<b>110</b>	109
	<b>169,858</b>	149,515

## Notes to the Consolidated Financial Statements

### 28 SHARE CAPITAL

	Number of Shares Authorised '000	Number of Shares Issued '000	Share Capital USD'000	Share Capital RMB'000
<b>As at 31 March 2021 and 2022 (ordinary shares of USD0.08 each)</b>	1,875,000	1,166,871	93,350	593,026
			<b>Year ended 31 March</b>	
			<b>2022</b>	2021
			<b>RMB'000</b>	RMB'000
At the beginning of the year			<b>593,026</b>	441,458
Issue of shares			—	151,568
At the end of the year			<b>593,026</b>	593,026

On 13 January 2021, the Company issued 291,720,000 new ordinary shares at USD0.08 each with HKD1.73 per share and raised gross proceeds of approximately HKD504,675,600 (equivalent to RMB422,817,000). The excess over the par value of USD23,337,600 (equivalent to RMB151,568,000) and net of the transaction costs of approximately RMB14,872,000 was credited to share premium with an amount of RMB256,377,000.

### 29 RESERVES

Reserves of the Group during the years ended 31 March 2021 and 2022 comprised of share premium, capital reserve, statutory reserve and other reserve.

Share premium of the Company represents the capital contribution premium from shareholders. Where the Company issued shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums over share capital shall be classified as share premium.

Capital reserve comprised of merger reserve arising from the combination of Tat Hong Equipment (China) Pte. Ltd. ("THEC")'s subsidiaries in 2015.

As stipulated by the relevant PRC laws and regulations applicable to the Company's subsidiaries established and operated in the PRC, the subsidiaries are required to make appropriation from profit after tax (after offsetting prior years' losses) to statutory reserve. The PRC entities are required to transfer at least 10% of its net profit as determined under the PRC accounting rules and regulations, to their statutory reserve. The appropriations to the statutory reserve are required until the balance reaches 50% of the subsidiaries' registered capital. The statutory reserve can be utilised to offset prior year losses. The Company's PRC subsidiaries are restricted in their ability to transfer a portion of their reserve either in the form of dividends, loans or advances.

Other reserves consist of translation reserves and shares granted and vested under Share Award Schemes (Note 30).



## Notes to the Consolidated Financial Statements

### 31 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	<b>Accrued expenses</b>	<b>Provisions</b>	<b>Lease liabilities</b>	<b>Intangible assets</b>	<b>Borrowings and loans from a related party</b>	<b>Tax losses</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:							
At 31 March 2020	1,456	13,594	8,282	2,546	350	4,642	30,870
Recognised in the profit or loss	534	(1,458)	4,786	(64)	—	(4,642)	(844)
At 31 March 2021	1,990	12,136	13,068	2,482	350	—	30,026
Recognised in the profit or loss	(73)	(648)	(3,613)	106	(350)	—	(4,578)
At 31 March 2022	1,917	11,488	9,455	2,588	—	—	25,448
	<b>Property, plant and equipment</b>	<b>Right-of- use assets</b>	<b>Contract assets</b>	<b>Provision for withholding tax</b>	<b>Total</b>		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax liabilities:							
At 31 March 2020		(80,347)	(9,123)	(4,178)	(4,627)		(98,275)
Recognised in the profit or loss		(10,322)	(5,088)	(378)	—		(15,788)
At 31 March 2021		(90,669)	(14,211)	(4,556)	(4,627)		(114,063)
Recognised in the profit or loss		8,992	6,595	2,322	—		17,909
At 31 March 2022		(81,677)	(7,616)	(2,234)	(4,627)		(96,154)

## Notes to the Consolidated Financial Statements

### 31 DEFERRED INCOME TAX (Continued)

The expiration of tax losses carried forward for which deferred income tax assets is not recognised is as follows:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Tax losses expiring within 1 year	770	2,723
Tax losses expiring between 1–2 years	3,672	770
Tax losses expiring between 2–3 years	11,104	7,089
Tax losses expiring between 3–4 years	14,317	11,104
Tax losses expiring between 4–5 years	12,467	14,317
	<b>42,330</b>	36,003

Unrecognised temporary differences are as follows:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Temporary difference for which no deferred tax asset was recognised:		
– Capitalised cost	1,259	2,238
Unrecognised deferred tax asset relating to the above temporary difference	<b>315</b>	560
Temporary difference for which no deferred tax liability was recognised:		
– Withholding tax for distributable retained profits of the Company's subsidiaries in the PRC	227,264	178,627
Unrecognised deferred tax liability relating to the above temporary difference	<b>22,726</b>	17,863

Deferred income tax liability has not been recognised for the withholding tax that would be payable on part of distributable retained profits of the Company's subsidiaries in the PRC. Such distributable retained profits are not expected to be distributed out of the PRC.

## Notes to the Consolidated Financial Statements

### 32 BORROWINGS

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Non-current		
Bank borrowings — Secured	<b>474,873</b>	356,696
Current		
Bank borrowings — Secured	<b>136,864</b>	124,932
Bank borrowings — Unsecured	<b>30,229</b>	1,000
	<b>167,093</b>	125,932
Total borrowings	<b>641,966</b>	482,628

As at 31 March 2021 and 2022, the Group's borrowings were repayable as follows:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Within 1 year	<b>167,093</b>	125,932
Between 1 and 2 years	<b>93,184</b>	78,932
Between 2 and 5 years	<b>381,689</b>	277,764
	<b>641,966</b>	482,628

Analysis of the carrying amounts of the Group's borrowings by currency was as follows:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
RMB	<b>330,720</b>	153,305
USD	<b>254,710</b>	—
HKD	<b>28,340</b>	—
SGD	<b>28,196</b>	329,323
	<b>641,966</b>	482,628

## Notes to the Consolidated Financial Statements

### 32 BORROWINGS (Continued)

The weighted average effective interest rates per annum for the years ended 31 March 2021 and 2022 were as follows:

	Year ended 31 March	
	2022	2021
RMB	5.1%	6.1%
SGD	4.8%	3.5%
USD	2.9%	—
HKD	1.7%	—

The fair values of the borrowings of the Group are approximate to their carrying amounts, since either the interest rates of those borrowings are close to current market rates or the borrowings are of a short-term nature.

Secured borrowings are pledged or guaranteed by the followings (Note 16, Note 17 and Note 23):

- (i) As at 31 March 2022, the syndicated bank borrowings of RMB221,229,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Hengxingmao and the Company, and secured by the pledge of machinery with carrying value of RMB252,417,000.

The borrowings of RMB28,196,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB56,992,000.

The borrowings of RMB61,736,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, and Hengxingmao, and secured by the pledge of machinery with carrying value of RMB59,169,000.

The borrowings of RMB88,540,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, and Changzhou Tat Hong, and secured by the pledge of machinery with carrying value of RMB110,146,000.

The borrowings of RMB158,356,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB194,943,000.

The borrowings of RMB1,480,000 were guaranteed by the Company, and secured by the commercial acceptance bill with carrying value of RMB2,116,000.

The borrowings of RMB3,000,000 were fully guaranteed by Shanghai Administration center of Policy Financing Guarantee Funds for SMEs (government agency) and Huaxing Tat Hong.

The borrowings of RMB5,000,000 were guaranteed by Tat Hong Zhaomao, a wholly owned subsidiary, and secured by the land-use rights with carrying value of RMB12,779,000 and the buildings with carrying value of RMB14,297,000.

The borrowings of RMB20,000,000 were guaranteed by the Company, and secured by the accounts receivable of third-party with amount of RMB20,337,000.

The borrowings of RMB15,000,000 were guaranteed by Tat Hong Zhaomao.



## Notes to the Consolidated Financial Statements

### 32 BORROWINGS *(Continued)*

(i) (continued)

The borrowings of RMB9,200,000 were guaranteed by Tat Hong Zhaomao and one of the senior management. Tat Hong Zhaomao had entered into agreements with the senior management, pursuant to which Tat Hong Zhaomao agreed to compensate them for any loss incurred by them in relation to the guarantee provided.

(ii) As at 31 March 2021, the syndicated bank borrowings of RMB288,229,000 were secured by the pledge of the equity shares of certain subsidiaries, including 100% of Tat Hong Zhaomao, 63% of Hengxingmao, 42% of Zhongjian Tat Hong and 41% of Huaxing Tat Hong.

The borrowings of RMB41,094,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB60,229,000.

The borrowings of RMB32,500,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong and Tat Hong Zhaomao, and the Company, and secured by the pledge of machinery with carrying value of RMB820,710,000 and equity shares of certain subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong.

The borrowings of RMB19,443,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB25,385,000.

The borrowings of RMB49,362,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB56,007,000.

The borrowings of RMB20,000,000 were guaranteed by the Company, and secured by the same amount of accounts receivable of third-party.

The borrowings of RMB25,000,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB6,000,000 were guaranteed by Tat Hong Zhaomao and one of the senior management. Tat Hong Zhaomao had entered into agreements with the senior management, pursuant to which Tat Hong Zhaomao agreed to compensate them for any loss incurred by them in relation to the guarantee provided.

## Notes to the Consolidated Financial Statements

### 33 TRADE AND BILLS PAYABLES

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Accounts payable	393,409	132,815
Bills payable	38,035	36,808
	<b>431,444</b>	169,623

As at 31 March 2021 and 2022, the aging analyses of the trade payables (including amounts due to related parties of trading in nature) based on transaction date were as follows:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Within 3 months	115,836	102,959
Between 3 months and 1 year	267,747	21,170
Between 1 year and 2 years	5,334	6,041
Between 2 years and 3 years	2,429	966
Between 3 years and 5 years	1,717	1,407
Over 5 years	346	272
	<b>393,409</b>	132,815

The carrying amounts of trade and bills payables approximate their fair values.

### 34 OTHER PAYABLES AND ACCRUALS

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Current		
Other taxes payable	6,369	20,329
Accrued expenses	13,552	32,905
Dividend payable (Note 14)	29,087	—
Payroll and welfare payables	15,494	8,187
Interest payables	2,491	2,425
Others	1,322	2,446
	<b>68,315</b>	66,292

(a) The carrying amounts of other payables and accruals approximate their fair values.

## Notes to the Consolidated Financial Statements

### 35 PROVISIONS

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Non-current Decommissioning liabilities	<b>28,144</b>	23,770
Current Decommissioning liabilities	<b>34,438</b>	28,946

The movement of the provisions is as follows:

	<b>As at 31 March</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
At the beginning of the year	<b>52,716</b>	60,951
Provisions for decommissioning liabilities Incurred and charged against the provision	<b>113,490</b>	84,367
	<b>(103,624)</b>	(92,602)
At the end of the year	<b>62,582</b>	52,716

## Notes to the Consolidated Financial Statements

### 36 CASH GENERATED FROM OPERATIONS

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Profits before income tax	45,870	135,909
Adjustment for:		
Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset	268,294	231,994
Losses/(Gains) on disposal of property, plant and equipment and right-of-use assets	4,772	(372)
Fair value gains on financial assets at fair value through profit or loss	(1,237)	(766)
Finance income and costs	20,235	13,240
Provision for/(reversal of) financial assets and contract assets	6,592	(1,711)
Net exchange differences	456	1,702
	<b>344,982</b>	<b>379,996</b>
Operating profit before changes in working capital		
Changes in working capital:		
Increase in inventories	(12,791)	(7,281)
Increase in contract assets	(45,651)	(36,655)
Increase in trade receivables	(133,455)	(91,919)
Increase in financial assets at fair value through other comprehensive income	(11,305)	(2,963)
Increase in other operating assets	(1,017)	(4,210)
Increase in trade and bills payables	55,427	58,232
Decrease in contract liabilities	(3,620)	(870)
Increase in other operating liabilities	71,729	17,827
	<b>264,299</b>	<b>312,157</b>
Cash generated from operations		

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment and right-of-use assets comprise:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Net book amount	53,065	28,532
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	(4,772)	372
Advances/(receivables) for disposal of property, plant and equipment	14,874	(5,473)
	<b>63,167</b>	<b>23,431</b>
Proceeds from disposals of property, plant and equipment and right-of-use assets		

## Notes to the Consolidated Financial Statements

### 36 CASH GENERATED FROM OPERATIONS (Continued)

#### (a) Non-cash investing and financing activities

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Offsetting loans from a related party and loans to a related party	—	23,232
Settlement of loans from a related party by raising syndicated bank borrowings	—	393,617
	—	416,849

#### (b) Net debt reconciliation

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Cash and cash equivalents	169,858	149,515
Borrowings	(641,966)	(482,628)
Lease liabilities	(58,728)	(67,190)
Net debt	(530,836)	(400,303)

	Cash and cash equivalents	Borrowings	Loans from a related party	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Net debt as at 31 March 2020</b>	44,430	(141,115)	(428,209)	(51,941)	(576,835)
Cash flows	106,787	41,315	10,371	31,831	190,304
Acquisitions and other non-cash movement	—	(393,617)	416,849	(47,080)	(23,848)
Foreign exchange adjustments	(1,702)	10,789	989	—	10,076
<b>Net debt as at 31 March 2021</b>	149,515	(482,628)	—	(67,190)	(400,303)
Cash flows	20,799	(164,084)	—	24,418	(118,867)
Acquisitions	—	—	—	(15,956)	(15,956)
Foreign exchange adjustments	(456)	4,746	—	—	4,290
<b>Net debt as at 31 March 2022</b>	169,858	(641,966)	—	(58,728)	(530,836)

## Notes to the Consolidated Financial Statements

### 37 COMMITMENTS

#### (i) Capital commitments

As at 31 March 2021 and 2022, the Group had the following capital commitments:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for		
– Property, plant and equipment	14,322	394

#### (ii) Lease commitments

As at 31 March 2021 and 2022, the Group had the following lease commitments:

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
No later than 1 year	9,384	11,745

### 38 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the financial years:

Name of related parties	Relationship with the Company
Chwee Cheng & Sons Pte. Ltd.	Ultimate parent company
THEC	parent company
THSC	Intermediate parent company
THH	Intermediate parent company
China Nuclear Industry Huaxing Construction Co., Ltd. ("China Nuclear Industry")*	Controlled by a director of the Company
THHE	Under common control by THH
Beijing Tat Hong Zhaomao Equipment Rental Co., Ltd. ("Beijing Tat Hong")	Under common control by THH
Yongmao Holdings Limited ("Yongmao")	Associate of THH
Fushun Yongmao Construction Machinery Co., Ltd. ("Fushun Yongmao")	Controlled by Yongmao
Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd.	Controlled by Yongmao

\* The director resigned as a non-executive director of the Company effective from 1 April 2021. Since then, China Nuclear Industry was no longer a related party of the Company.

## Notes to the Consolidated Financial Statements

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (b) Transactions with related parties

Except for those disclosed elsewhere in notes to the consolidated financial statements, other significant related party transactions of the Group are listed as follows:

##### (i) Services provided to related parties

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Controlled by a director of the Company	—	47,845
Controlled by Yongmao	—	228
	—	48,073

##### (ii) Machineries and consumables purchased from related parties

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Controlled by Yongmao	100,758	31,416

##### (iii) Sale of property, plant and equipment to a related party

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Controlled by Yongmao	—	679

##### (iv) Loans from a related party

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Intermediate parent company	—	21,437

## Notes to the Consolidated Financial Statements

**38 RELATED PARTY TRANSACTIONS** (Continued)**(b) Transactions with related parties** (Continued)**(v) Repayment of loans from a related party**

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Intermediate parent company	—	31,808

**(vi) Rental expenses**

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Controlled by Yongmao	944	302
Under common control by THH	62	46
	<b>1,006</b>	<b>348</b>

**(vii) Interest income**

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Loans to a related party		
— Intermediate parent company	—	89

**(viii) Interest expenses**

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Loans from a related party		
— Intermediate parent company	—	1,627



## Notes to the Consolidated Financial Statements

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (c) Terms and conditions

Transactions conducted with related parties were based on terms mutually agreed with related parties.

The interest rate per annum on the loans to a related party was 4.35% during the years ended 31 March 2021.

The remaining loans from a related party bore weighted average interest rates of approximately 4.82% per annum during the years ended 31 March 2021.

#### (d) Balances with related parties

##### (i) Receivables from related parties

	As at 31 March	
	2022 RMB'000	2021 RMB'000
<b>Trade</b>		
Contract assets		
— Controlled by a director of the Company	—	17,330
Accounts receivable		
— Controlled by Yongmao	185	249
— Controlled by a director of the Company	—	23,755
	<b>185</b>	<b>24,004</b>
Other receivables		
— Controlled by Yongmao (Note 24)	<b>2,332</b>	—

##### (ii) Prepayments to related parties

	As at 31 March	
	2022 RMB'000	2021 RMB'000
<b>Trade</b>		
Controlled by Yongmao (Note 24)	<b>2,014</b>	8,480

## Notes to the Consolidated Financial Statements

### 38 RELATED PARTY TRANSACTIONS (Continued)

#### (d) Balances with related parties (Continued)

##### (iii) Payables to related parties

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
<b>Trade</b>		
Accounts payable		
— Controlled by Yongmao	19,298	9,053
— Under common control by THH	98	27
— Controlled by a director of the Company	—	202
	<b>19,396</b>	<b>9,282</b>

#### (e) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Salaries, bonus and other welfare	35,383	10,871

## Notes to the Consolidated Financial Statements

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 March	
	2022	2021
	RMB'000	RMB'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Prepayments and other receivables	281,249	168,382
Investment in subsidiaries	908,560	894,842
	<b>1,189,809</b>	1,063,224
<b>Current asset</b>		
Prepayments and other receivables	111,177	66,251
Financial assets at fair value through profit or loss	—	200,766
Cash and cash equivalents	124,535	127,352
	<b>235,712</b>	394,369
Total assets	<b>1,425,521</b>	1,457,593
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	228,153	245,150
	<b>228,153</b>	245,150
<b>Current liabilities</b>		
Other payables and accruals	31,673	5,033
Borrowings	54,897	43,079
	<b>86,570</b>	48,112
Total liabilities	<b>314,723</b>	293,262
<b>EQUITY</b>		
Share capital	593,026	593,026
Share premium and other reserves (Note (a))	602,341	631,313
Accumulated losses (Note (a))	(84,569)	(60,008)
<b>Total equity</b>	<b>1,110,798</b>	1,164,331
<b>Total equity and liabilities</b>	<b>1,425,521</b>	1,457,593

The balance sheet of the Company were approved by the Board of Directors on 29 June 2022 and were signed on its behalf.

**Yau Kok San**  
Director

**Lin Han-wei**  
Director

## Notes to the Consolidated Financial Statements

### 39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

#### Note (a) Reserve movement of the Company

	Share premium and other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2020	374,936	(41,321)	333,615
Profit for the year	—	(11,041)	(11,041)
Dividends (Note 14)	—	(7,646)	(7,646)
Issue of shares (Note 28)	256,377	—	256,377
	<hr/>	<hr/>	<hr/>
At 31 March 2021	631,313	(60,008)	571,305
	<hr/>	<hr/>	<hr/>
At 1 April 2021	631,313	(60,008)	571,305
Profit for the year	—	(24,561)	(24,561)
Dividends (Note 14)	(58,024)	—	(58,024)
Share award scheme — value of employee services (Note 30)	29,052	—	29,052
	<hr/>	<hr/>	<hr/>
At 31 March 2022	602,341	(84,569)	517,772

### 40 SUBSEQUENT EVENTS

Since its initial outbreak in early 2020, the Coronavirus Disease 2019 (“**COVID-19**”) emerged in occasions in China throughout the past two years and outburst again especially in Shanghai and Beijing in the form of the Omicron variant in second quarter of 2022, which had resulted in more strict control. As a result, some of the Group’s construction projects paused for some time in April and May. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which these financial statements were authorised for issue, the directors of the Company confirmed that the outbreak of the COVID-19 disease had not caused any material impact to our Group since the locations of the outbreak are limited while the projects of the Group locates in various cities in the PRC.

## Five Years Financial Summary

A summary of the results and of the assets, equity and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and the prospectus of the Company dated 30 December 2020, is set out below:

### RESULTS

	For the year ended 31 March				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>Results</b>					
Revenue	<b>867,020</b>	792,959	744,921	656,003	549,127
Gross profit	<b>234,139</b>	273,283	253,238	181,900	135,545
Profit before income tax	<b>45,870</b>	135,909	111,208	86,992	54,598
Income tax credit/(expense)	<b>1,765</b>	(34,674)	(34,749)	(18,656)	(3,529)
Profit for the year	<b>47,635</b>	101,235	76,459	68,336	51,069

### ASSETS AND LIABILITIES

	As at 31 March				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
<b>Assets</b>					
Non-current assets	<b>1,726,040</b>	1,340,719	1,311,292	1,346,414	1,428,408
Current assets	<b>1,192,594</b>	1,141,021	731,210	602,507	471,853
Total assets	<b>2,918,634</b>	2,481,740	2,042,502	1,948,921	1,900,261
<b>Equity and liabilities</b>					
Total equity	<b>1,569,833</b>	1,550,929	1,049,627	981,002	916,433
Non-current liabilities	<b>608,098</b>	498,680	646,239	598,400	370,912
Current liabilities	<b>740,703</b>	432,131	346,636	369,519	612,916
Total liabilities	<b>1,348,801</b>	930,811	992,875	967,919	983,828
Total equity and liabilities	<b>2,918,634</b>	2,481,740	2,042,502	1,948,921	1,900,261