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## **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: 2153)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023**

### **FINANCIAL HIGHLIGHTS**

Revenue of the Group for the year ended 31 March 2023 amounted to RMB770.8 million, representing a decrease of RMB96.3 million or 11.1% from the year ended 31 March 2022.

Loss attributable to equity holders of the Company for the year ended 31 March 2023 amounted to RMB35.8 million, representing a decrease of RMB83.4 million or 175.2% from the year ended 31 March 2022. Such decrease was mainly due to, among the other factors, (i) the dramatic increase in exchange loss of approximately RMB37.2 million arising from foreign currency loans and other exchange risk; and (ii) the decrease in revenue due to the outbreak of COVID-19 and the corresponding control measures particularly in Eastern China, which resulted in the delay and postponement of some projects thereby affected the Group's revenue.

Basic losses per share for the year ended 31 March 2023 amounted to RMB3.0 cents, representing a decrease of RMB7.0 cents when compared with the basic earnings per share of RMB4.0 cents for the year ended 31 March 2022.

The Board has resolved not to recommend the payment of final dividend for the year ended 31 March 2023.

### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) of Tat Hong Equipment Service Co., Ltd. (the “**Company**”, together with its subsidiaries collectively, the “**Group**”), hereby announces the consolidated results of the Group for the year ended 31 March 2023, together with comparative figures for the year ended 31 March 2022 as set out below.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Year ended 31 March</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Revenue	3	770,752	867,020
Cost of sales	6	<u>(597,521)</u>	<u>(632,881)</u>
<b>Gross profit</b>		<b>173,231</b>	234,139
Selling and distribution expenses	6	(14,464)	(17,526)
General and administrative expenses	6	(90,976)	(129,169)
Research and development expenses	6	(29,688)	(25,433)
Provision for financial assets and contract assets		(4,413)	(6,592)
Other income	4	7,120	14,677
Other gains/(losses), net	5	<u>2,854</u>	<u>(3,991)</u>
<b>Operating profit</b>		<b>43,664</b>	66,105
Finance costs	7	(81,515)	(21,096)
Finance income	7	<u>718</u>	<u>861</u>
<b>(Loss)/profit before income tax</b>		<b>(37,133)</b>	45,870
Income tax credit	8	<u>1,320</u>	<u>1,765</u>
<b>(Loss)/profit for the year</b>		<b><u>(35,813)</u></b>	<b><u>47,635</u></b>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		<b><u>(35,813)</u></b>	<b><u>47,635</u></b>
<b>Other comprehensive income, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		<u>10</u>	<u>241</u>
Other comprehensive income for the year, net of tax		<u>10</u>	<u>241</u>
<b>Total comprehensive (losses)/income for the year, net of tax</b>		<b><u>(35,803)</u></b>	<b><u>47,876</u></b>
<b>Basic and diluted (losses)/earnings per share</b>	10	<b><u>(0.03)</u></b>	<b><u>0.04</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,651,070	1,560,462
Right-of-use assets		101,209	81,185
Intangible assets		21,176	25,569
Contract assets	2	66,549	27,296
Other non-current assets		60,594	31,528
		<b>1,900,598</b>	<b>1,726,040</b>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		39,584	33,813
Contract assets	2	254,235	285,144
Trade receivables	11	631,071	582,184
Prepayments and other receivables		146,658	96,232
Financial assets at fair value through other comprehensive income		21,925	25,363
Restricted cash		3,423	—
Cash and cash equivalents		155,551	169,858
		<b>1,252,447</b>	<b>1,192,594</b>
<b>Total current assets</b>			
		<b>3,153,045</b>	<b>2,918,634</b>
<b>Total assets</b>			

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

		As at 31 March	
		2023	2022
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	12	617,415	474,873
Lease liabilities		47,566	34,375
Deferred income tax liabilities		67,628	70,706
Provisions		33,906	28,144
		<u>766,515</u>	<u>608,098</u>
<b>Total non-current liabilities</b>			
<b>Current liabilities</b>			
Trade and bills payables	13	387,268	431,444
Contract liabilities		896	15,060
Other payables and accruals		37,234	68,315
Borrowings	12	363,845	167,093
Lease liabilities		38,092	24,353
Provisions		41,576	34,438
		<u>868,911</u>	<u>740,703</u>
<b>Total current liabilities</b>			
<b>Total liabilities</b>			
		<u>1,635,426</u>	<u>1,348,801</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	14	593,026	593,026
Reserves	15	512,974	520,845
Retained earnings		411,619	455,962
		<u>1,517,619</u>	<u>1,569,833</u>
<b>Total equity</b>			
<b>Total equity and liabilities</b>			
		<u>3,153,045</u>	<u>2,918,634</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total <i>RMB'000</i>
	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	
At 1 April 2021	593,026	256,377	243,605	39,928	(220)	418,213	1,550,929
Profit for the year							
Other comprehensive income:	—	—	—	—	—	47,635	47,635
— Currency translation difference	—	—	—	—	241	—	241
Total comprehensive income	—	—	—	—	241	47,635	47,876
Dividends ( <i>Note 9</i> )	—	(58,024)	—	—	—	—	(58,024)
Share award scheme — value of employee services ( <i>Note 16</i> )	—	—	—	—	29,052	—	29,052
Statutory reserve	—	—	—	9,886	—	(9,886)	—
At 31 March 2022	<u>593,026</u>	<u>198,353</u>	<u>243,605</u>	<u>49,814</u>	<u>29,073</u>	<u>455,962</u>	<u>1,569,833</u>
At 1 April 2022	<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>
Profit for the year							
Other comprehensive income:	—	—	—	—	—	(35,813)	(35,813)
— Currency translation difference	—	—	—	—	10	—	10
Total comprehensive income	—	—	—	—	10	(35,813)	(35,803)
Dividends ( <i>Note 9</i> )	—	(16,411)	—	—	—	—	(16,411)
Statutory reserve	—	—	—	8,530	—	(8,530)	—
At 31 March 2023	<u>593,026</u>	<u>181,942</u>	<u>243,605</u>	<u>58,344</u>	<u>29,083</u>	<u>411,619</u>	<u>1,517,619</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 2022:

		<b>Effective for annual periods beginning on or after</b>
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
AG 5 (Revised)	Merger Accounting for Common Control Combinations	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.

- (b) **Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 March 2023 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 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 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 Segment information

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

	<b>As at 31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Contract assets</b>		
Non-current	<b>66,833</b>	27,408
Loss allowance	<b>(284)</b>	(112)
	<b><u>66,549</u></b>	<b><u>27,296</u></b>
Current	<b>255,435</b>	286,319
Loss allowance	<b>(1,200)</b>	(1,175)
	<b><u>254,235</u></b>	<b><u>285,144</u></b>
Total contract assets	<b><u>320,784</u></b>	<b><u>312,440</u></b>



### 3 Revenue

An analysis of revenue is as follows:

	Year ended 31 March	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Timing of revenue recognition</b>		
— Over the time		
One-stop tower crane solution services:		
— Operating Lease	385,331	396,262
— Hoisting Service	380,871	466,097
Dry lease	4,550	4,661
	<u>770,752</u>	<u>867,020</u>

### 4 Other income

	Year ended 31 March	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Value-added tax refund	3,852	6,330
Government grants	2,310	7,984
Others	958	363
	<u>7,120</u>	<u>14,677</u>

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.

## 5 Other gains/(losses), net

	Year ended 31 March	
	2023	2022
	RMB'000	RMB'000
Fair value gains on financial assets at fair value through profit or loss	—	1,237
Exchange losses	(665)	(456)
Gains/(losses) on disposal of property, plant and equipment and right-of-use assets	3,519	(4,772)
	<u>3,519</u>	<u>(4,772)</u>
	<u>2,854</u>	<u>(3,991)</u>

## 6 Expenses by nature

	Year ended 31 March	
	2023	2022
	RMB'000	RMB'000
Depreciation of property, plant and equipment and right-of-use assets	283,271	263,829
Labour subcontracting cost (excluding share award scheme)	229,343	266,364
Employee benefit expenses	108,803	107,998
Rental expenses	22,342	28,537
Material fees	15,894	19,583
Travel expenses	15,183	18,406
Repair expenses	9,316	16,114
Commission expenses	8,314	9,458
Entertainment expenses	5,948	6,734
Professional fees	5,572	6,858
Amortisation of intangible assets	4,497	4,465
Office expenses	3,888	4,652
Transportation expenses	3,176	6,498
Auditor's remuneration	3,135	3,072
Share award schemes (Note 16)	—	29,052
Others	13,967	13,389
	<u>732,649</u>	<u>805,009</u>

## 7 Finance costs and income

	Year ended 31 March	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings and loans from a related party	41,881	23,274
Interest expenses on lease liabilities	3,142	2,824
Net exchange losses/(gains) on foreign currency borrowings and loans from a related party	36,492	(5,002)
Total finance costs	81,515	21,096
Finance income:		
Interest income	(718)	(861)
Finance costs — net	80,797	20,235

## 8 Income tax credit

The amount of income tax charged to the consolidated statement of comprehensive income represents:

	Year ended 31 March	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax on profits for the year	1,758	11,566
Deferred income tax	(3,078)	(13,331)
Income tax credit	(1,320)	(1,765)

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:

	<b>Year ended 31 March</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
(Loss)/profit before taxation	<u><b>(37,133)</b></u>	<u>45,870</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	<b>(5,823)</b>	12,270
Expenses not deductible for tax purposes	<b>561</b>	3,094
Temporary difference for which no deferred tax asset was recognised	<b>124</b>	(5)
Tax losses for which no deferred tax asset was recognised	<b>8,564</b>	2,989
Effect from changes in tax rate	—	(16,914)
Utilisation of the tax losses unrecognised previously	<b>(1,163)</b>	(854)
Super deductions from research and development expenditures	<u><b>(3,583)</b></u>	<u>(2,345)</u>
Income tax credit	<u><b>(1,320)</b></u>	<u>(1,765)</u>

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.

Starting from 1 October 2022, the pre-tax deduction ratio of the group's research and development expenses was increased from 75% to 100%. During the fourth quarter of 2022, high-tech enterprises were allowed to deduct the eligible equipment and appliances newly purchased from 1 October 2022 to 31 December 2022 in full in the calculation of taxable income, and to implement a 100% additional deduction before income tax.

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.

## 9 Dividends

Pursuant to the resolution of the shareholders' meeting held on 29 September 2021, dividends of RMB28,937,000 were approved by the shareholders. All dividends have 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 Directors. All dividends have been paid in cash on 8 April 2022.

Pursuant to the resolution of the shareholders' meeting held on 28 September 2022, dividends of RMB16,411,000 were approved by the Company to its shareholders. All dividend has been paid in cash during the year ended 31 March 2023.

	<b>Year ended 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Dividend payable at the beginning of the year	<b>29,087</b>	—
Declaration of dividends	<b>16,411</b>	58,024
Dividends paid	<b>(45,498)</b>	(28,937)
	<hr/>	<hr/>
Dividends payable at the end of the year	<b><u>—</u></b>	<b><u>29,087</u></b>

On 29 June 2023, the directors resolved not to recommend payment of final dividend in respect of the year ended 31 March 2023.

## 10 (Losses)/Earnings per share

Basic (losses)/earnings per share is calculated by dividing the (losses)/profit attributable to the equity holders of the Company by the weighted average number of shares in issue during the financial year. Diluted (losses)/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 (losses)/earnings per share as there is no dilutive potential shares during the current and previous years.

	Year ended 31 March	
	2023	2022
	RMB'000	RMB'000
(Loss)/profit attributable to the ordinary equity holders of the Company	<u>(35,813)</u>	<u>47,635</u>
Weighted average number of ordinary shares in issue ('000)	1,166,871	1,166,871
Basic and diluted (losses)/earnings per share (RMB)	<u>(0.03)</u>	<u>0.04</u>

## 11 Trade receivables

	As at 31 March	
	2023	2022
	RMB'000	RMB'000
Accounts receivable	647,347	594,066
Less: provision for impairment	<u>(16,276)</u>	<u>(11,882)</u>
	<u>631,071</u>	<u>582,184</u>

The majority of the Group's receivables are with credit terms from 30 days to 90 days. At 31 March 2023 and 2022, the aging analysis of the trade receivables based on invoice date were as follows:

	<b>As at 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within credit term	<b>186,923</b>	138,083
Less than 180 days past due	<b>220,259</b>	224,863
181 days to 365 days past due	<b>98,976</b>	89,272
1 to 2 years past due	<b>79,226</b>	98,000
More than 2 years past due	<b>61,963</b>	43,848
	<b><u>647,347</u></b>	<u>594,066</u>

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 2023, the Group pledged accounts receivable with carrying amount of approximately RMB179,542,000 (2022: RMB20,337,000) for the bank borrowings of the Group.

The Group's trade receivables were denominated in RMB.

## 12 Borrowings

	<b>As at 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Non-current		
Bank borrowings — Secured	<u>617,415</u>	<u>474,873</u>
Current		
Bank borrowings — Secured	<b>327,683</b>	136,864
Bank borrowings — Unsecured	<u>36,162</u>	<u>30,229</u>
	<u>363,845</u>	<u>167,093</u>
Total borrowings	<u><b>981,260</b></u>	<u>641,966</u>

As at 31 March 2023 and 2022, the Group's borrowings were repayable as follows:

	<b>As at 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 1 year	<b>363,845</b>	167,093
Between 1 and 2 years	<b>134,372</b>	93,184
Between 2 and 5 years	<u>483,043</u>	<u>381,689</u>
	<u><b>981,260</b></u>	<u>641,966</u>

Analysis of the carrying amounts of the Group's borrowings by currency was as follows:

	<b>As at 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
RMB	<b>926,784</b>	330,720
HKD	<b>30,569</b>	28,340
SGD	<b>18,764</b>	28,196
USD	<u>5,143</u>	<u>254,710</u>
	<u><b>981,260</b></u>	<u>641,966</u>



The weighted average effective interest rates per annum for the year ended 31 March 2023 and 2022 were as follows:

	<b>Year ended 31 March</b>	
	<b>2023</b>	2022
SGD	<b>4.8%</b>	4.8%
RMB	<b>4.6%</b>	5.1%
USD	<b>4.0%</b>	2.9%
HKD	<b>1.7%</b>	1.7%

The fair values of the borrowings of the Group 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.

### 13 Trade and bills payables

	<b>As at 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Accounts payable	<b>344,296</b>	393,409
Bills payable	<b>42,972</b>	38,035
	<b><u>387,268</u></b>	<u>431,444</u>

As at 31 March 2023 and 2022, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on transaction date were as follows:

	<b>As at 31 March</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 3 months	<b>102,443</b>	115,836
Between 3 months and 1 year	<b>203,526</b>	267,747
Between 1 year and 2 years	<b>35,777</b>	5,334
Between 2 years and 3 years	<b>1,296</b>	2,429
Between 3 years and 5 years	<b>768</b>	1,717
Over 5 years	<b>486</b>	346
	<b><u>344,296</u></b>	<u>393,409</u>

The carrying amounts of trade and bills payables approximate their fair values.

As at 31 March 2023 and 2022, the aging of bills payables was within one year.

## 14 Share capital

	<b>Number of Shares Authorised</b> <i>'000</i>	<b>Number of Shares Issued</b> <i>'000</i>	<b>Share Capital</b> <i>USD'000</i>	<b>Share Capital</b> <i>RMB'000</i>
As at 31 March 2023 and 2022 (ordinary shares of USD0.08 each)	<u>1,875,000</u>	<u>1,166,871</u>	<u>93,350</u>	<u>593,026</u>

## 15 Reserves

Reserves of the Group during the year ended 31 March 2023 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 16).

## 16 Share-based payments

### Share Award Scheme

Pursuant to the directors' resolution dated on 25 March 2022 of TH Straits 2015 Pte. Ltd. (“**TH15**”), one of the shareholders of the Company, an aggregate of 30,664,491 shares of the Company's existing ordinary shares held by TH15 have been awarded to senior managements of the Group for no cash consideration.

The shares are recognised at the closing share price on the grant date as part of employee benefit costs during the year the shares are granted.

No expenses arose from share-based payment transactions as part of employee benefit expenses was recognised during the year ended 31 March 2023 (2022: RMB29,052,000).

## 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**”) and one of the leading crane rental companies in the Asia-Pacific region. Since 2007, we have established ourselves as a tower crane service provider for one-stop tower crane solution services from 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.

The PRC market had been adversely impacted by the COVID-19 outbreak and pandemic measures throughout 2022. The PRC Government had imposed periodic lockdowns in cities across the PRC, halting economic activities, which resulted in the suspension of some projects and the economic activities of the Company in Eastern China in the first half of the year. In December 2022, the PRC Government announced the gradual relaxation of the COVID-19 related measures and restrictions. However, this resulted in a surge in the rate of COVID-19 infections. Despite these challenges, the Group proactively optimized its operation and management. The Group's subsidiaries have expanded their digital management using their self-developed software “TOP” and “iSmartCon” to improve the efficiency in management and operation. We have continued to refine and adjust our internal processes to further enhance the business operation of the Group. At the same time, the Group strove to seek quality projects and actively pursue business contracts in the clean energy, infrastructure and public construction sectors, particularly in delivering services with large-scale tower cranes, so as to enhance business and financial performance during the next reporting period.

As at the date of this announcement, we are managing a total of 1,166 tower cranes, so as to cater for our customers' specialised range of EPC projects throughout the PRC.

Furthermore, the Group adjusted its internal structure targeting the development opportunities in the Greater Bay Area, and incorporated two new companies in the South to address opportunities in Greater Bay Area.

## **Operating Results**

The Group recorded a net loss of approximately RMB35.8 million for the year ended 31 March 2023 representing a decrease of approximately 175.2% as compared with the net profit of approximately RMB47.6 million for the year ended 31 March 2022. Such decrease was mainly due to, among the other factors, (i) the dramatic increase in exchange loss of approximately RMB37.2 million arising from foreign currency loans and other exchange risk; and (ii) the postponement and delay of engineering projects as a result of the outbreak of the COVID-19 and the corresponding control measures particularly in Eastern China. Our average monthly service price of tower cranes per tonne metres (TM) in use decreased from RMB279.0 to RMB241.0.

## **Future Development**

As the pandemic subsides and the work and production of the construction industry is resumed, the PRC has launched a series of industry subsidy policies and plans for promoting economic development. We have entered the post-pandemic era, in which both opportunities and challenges exist.

Looking forward, the Group will continue to be guided by the core values of “Virtue (厚德), Safety (安全) and Excellence (卓越)”, and will further improve and focus on the sustainable development strategic goals of the Group. Through improved digital management throughout the Group, we can achieve resources sharing, cost reduction and efficiency enhancement, while at the same time aggressively pursue international businesses. This series of measures can improve operating efficiency and fulfill the Group’s goal to become “the best construction equipment service provider”.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s revenue decreased by approximately 11.1% from RMB867.0 million for the year ended 31 March 2022 to RMB770.8 million for the year ended 31 March 2023, primarily due to the postponement and delay of engineering projects as a result of the outbreak of the COVID-19 and the corresponding control measures particularly in Eastern China. Although our total tonne metre (TM) in use increased from 3,112,084 for the year ended 31 March 2022 to 3,192,710 for the year ended 31 March 2023, the average monthly service price of tower cranes per tonne metres (TM) in use decreased from RMB279.0 to RMB241.0.

## **Cost of Sales**

Our cost of sales decreased by approximately 5.6% from RMB632.9 million for the year ended 31 March 2022 to RMB597.5 million for the year ended 31 March 2023. Such decrease was mainly attributable to, among the other factors, (i) our labour subcontracting costs decreased from approximately RMB266.4 million for the year ended 31 March 2022 to RMB229.3 million for the year ended 31 March 2023, primarily due to the postponement and delay of engineering projects as a result of the outbreak of the COVID-19; and (ii) repair expenses decreased from approximately RMB16.1 million for the year ended 31 March 2022 to approximately RMB9.3 million for the year ended 31 March 2023.

## **Gross Profit and Gross Profit Margin**

Our overall gross profit decreased by approximately 26.0% from RMB234.1 million for the year ended 31 March 2022 to RMB173.2 million for the year ended 31 March 2023. Our overall gross profit margin decreased from approximately 27.0% for the year ended 31 March 2022 to approximately 22.5% for the year ended 31 March 2023.

## **Other income**

Our other income for the year ended 31 March 2023 amounted to approximately RMB7.1 million, representing a decrease of approximately RMB7.6 million or 51.5% as compared to that of approximately RMB14.7 million for the year ended 31 March 2022. The other income mainly comprised of value-add tax refund and government grants. The decrease was mainly due to the decrease in receipt of financial incentives.

## **Research and development expenses**

Our research and development expenses increased from approximately RMB25.4 million for the year ended 31 March 2022 to approximately RMB29.7 million for the year ended 31 March 2023. This was mainly due to the increase in development work on patents.

## **Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately 17.5% from approximately RMB17.5 million for the year ended 31 March 2022 to approximately RMB14.5 million for the year ended 31 March 2023. Such decrease was mainly due to the adoption of the video conferences by the Group during the pandemic, which led to the reduction in traveling expenses.

## **General and administrative expenses**

Our general and administrative expenses decreased by approximately RMB38.2 million or 29.6% from approximately RMB129.2 million for the year ended 31 March 2022 to RMB91.0 million for the year ended 31 March 2023. The general and administrative expenses mainly comprised of professional expenses, salary costs and office expenses. Such decrease was primarily attributable to (i) the absence of the recognition of share award schemes by the controlling shareholder of Company to the top management amounting to approximately RMB29.1 million in March 2023, and (ii) the decrease in traveling expenses and office expenses as a result of telecommuting.

## **Finance costs**

Our finance costs increased by approximately RMB60.4 million or 286.4% from approximately RMB21.1 million for the year ended 31 March 2022 to RMB81.5 million for the year ended 31 March 2023. The increase was mainly due to the recognition of RMB36.5 million net exchange losses which arose from foreign currency borrowings for the year ended 31 March 2023.

## **Income Tax Credit**

Our income tax credit for the year ended 31 March 2023 amounted to approximately RMB1.3 million, representing a decrease of approximately RMB0.5 million or 25.2% as compared to that of approximately RMB1.8 million for the year ended 31 March 2022. This was primarily due to the incurrence of losses for the year ended 31 March 2023.

## **Losses for the year**

As a result of the foregoing reason, the Group recorded the losses of RMB35.8 million for the year ended 31 March 2023 as compared to a profit of RMB47.6 million for the year ended 31 March 2022, representing a decrease of approximately RMB83.4 million or approximately 175.2% as compared with that for the year ended 31 March 2022. The decrease was mainly due to the combined effects of the above-mentioned.

## **Working capital structure**

The Group's net current assets amounted to RMB383.5 million as at 31 March 2023, representing a decrease of RMB68.4 million from 31 March 2022, which was mainly due to increase in the current portion of borrowings.

## **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 2023, the cash and cash equivalents plus restricted cash were RMB159.0 million, representing a decrease of RMB10.9 million when compared with those for the year ended 31 March 2022.

The Group's current ratio, which represents the total sum of current assets, divided by the total sum of current liabilities, was 1.44 times as at 31 March 2023, compared to that of 1.61 times as at 31 March 2022.

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 70.3% as at 31 March 2023 compared to that of 44.6% as at 31 March 2022. The increase in gearing ratio was mainly attributable to the increase in borrowings.

### **Pledge of assets**

As at 31 March 2023, the Group pledged machineries with carrying amount of approximately RMB962.3 million (2022: RMB689.2 million) for the bank borrowings and lease liabilities of the Group.

As at 31 March 2023, no lease liabilities were secured by the pledge of machinery. As at 31 March 2022, the lease liabilities of RMB0.05 million were secured by the pledge of machinery with carrying value of RMB15.5 million.

As at 31 March 2023, the land-use rights with carrying value of approximately RMB12.4 million (2022: RMB12.8 million) were secured for the bank borrowings of the Group.

As at 31 March 2023, the buildings with carrying value of approximately RMB5.0 million (2022: 14.3 million) were secured for the bank borrowings of the Group.

### **Lease Liabilities**

The lease liabilities increased by 45.9% from approximately RMB58.7 million as at 31 March 2022 to approximately RMB85.7 million as at 31 March 2023. This was mainly due to the increase of rented tower cranes leading to the increase of right-of-use assets.



## CAPITAL COMMITMENT

As at 31 March 2023, the contracted but not provided property, plant and equipment was RMB19.1 million, representing an increase of RMB4.7 million from that as at 31 March 2022.

## CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group had no contingent liabilities.

## FOREIGN EXCHANGE RISK MANAGEMENT

The net exchange loss for the year ended 31 March 2023 amounted to approximately RMB37.2 million, representing a decrease of approximately RMB41.6 million as compared to the net exchange gain of approximately RMB4.5 million for the year ended 31 March 2022. The Group mainly operates in the PRC with RMB as the functional currency, and the most of foreign currency loans have been converted into the RMB loans. The Board is of the view that the Group's foreign exchange rate risks are not the main risks in the subsequences period. Thus, the Group did not enter into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2023.

## USE OF PROCEEDS FROM THE LISTING

On 13 January 2021, the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The shares were issued to the public at HKD1.73 per share, and the Group received net proceeds (the “**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. As of 31 March 2023, the amount of net proceeds which remain unutilised amounted to approximately HKD60.5 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 31 March 2023:

Usage		Planned allocation of the net proceeds	Utilised net proceeds up to 31 March 2023	Unutilised net proceeds as at 31 March 2023	Expected timeline of full utilization of the balance
	%	HKD'000	HKD'000	HKD'000	
Purchase tower cranes	63.0%	305,865	245,372	60,493	31 March 2024

Usage	%	Planned allocation of the net proceeds HKD'000	Utilised net proceeds up to 31 March 2023 HKD'000	Unutilised net proceeds as at 31 March 2023 HKD'000	Expected timeline of full utilization of the balance
Purchase equipment and to conduct foundation work for our Yangzhou Refurbishment Centre (as defined in the prospectus of the Company dated 30 December 2020 (the “Prospectus”))	5.3%	25,732	25,732	—	Fully utilised
Hire additional personnel equipped with special skills to improve our service capacity and competitiveness	3.2%	15,536	15,536	—	Fully utilised
Repay part of our bank borrowings	18.5%	89,817	89,817	—	Fully utilised
Working capital and other general corporate purposes	10%	48,550	48,550	—	Fully utilised
	<u>100%</u>	<u>485,500</u>	<u>425,007</u>	<u>60,493</u>	

Due to the recovery of the PRC economy remains under pressure and the overall market is still sluggish, the Group’s plan to purchase tower cranes for some projects in Eastern China had been postponed and delayed. The balance of the unutilized net proceeds for purchasing tower cranes is expected to be utilized by 31 March 2024.

## FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend for the year ended 31 March 2023 (2022: final dividend of HKD0.016 per share).

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

During the year ended 31 March 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 31 March 2023, the Group did not have any immediate plans for material investments and capital assets.

## **SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS**

As at 31 March 2023, the Group did not have any significant investment or capital assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2023, the Group employed around 1,353 employees who include the Directors of the Company and those of subsidiaries (2022: 1,207 employees). The total staff costs for the year ended 31 March 2023 was RMB108.8 million, an increase of 0.7% when compared with that for the year ended 31 March 2022. Such increase was mainly attributable to increase in number of staff headcount.

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 PRC 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**

Although the PRC has relaxed pandemic prevention measures since December 2022, there has been a surge in the COVID-19 pandemic upon the reopening of borders, which have adversely affected our business operations in the year ended 31 March 2023. Despite this, we have continued to look for business opportunities in order to achieve sustainable growth, strengthen cost control and adopt appropriate measures to develop our businesses in the year ahead. The Company will continue to closely monitor the market conditions and take appropriate measures to capture business opportunities, lower operation risks and in turn achieve better operating results.

## **EVENTS AFTER THE REPORTING PERIOD**

Tat Hong Equipment (HK) Limited has been established by the Group on 18 May 2023. The total amount of share capital to be subscribed is HKD800,000.00, which is yet to be paid up as of 29 June 2023.

## **SUFFICIENCY OF PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The Board has reviewed the corporate governance practices of the Company and is of the view that the Company has applied and complied with all the principles and code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the year ended 31 March 2023.

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

During the year ended 31 March 2023 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted its code of conduct regarding the securities transactions by the Directors on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 March 2023.

## **2023 AGM**

The 2023 AGM of the Company will be held at Room 601, Building 8, PortMix, No. 2377 Shenkun Road, Minhang District, Shanghai, the PRC on Thursday, 28 September 2023. The notice of the 2023 AGM of the Company will be published and despatched to the Shareholders in the manner as required by the Listing Rules and the Articles of Association of the Company in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, 25 September 2023 to Thursday, 28 September 2023 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2023 AGM, all transfer forms accompanied by relevant share certificates must be lodged for registration with Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 22 September 2023.

## **AUDIT COMMITTEE**

The Company has set up an audit committee (the “**Audit Committee**”) for the purposes of reviewing and providing supervision over financial reporting process and internal audit function of the Group, reviewing the internal controls and risk management system of the Group. The Audit Committee 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 Audit Committee. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 March 2023, and the accounting principles and practices adopted by the Group, the internal controls and risk management system and financial reporting matters, and has given their opinion and recommendations to the Board on 29 June 2023. The Audit Committee considers that the annual financial information of the Company has complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2023 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2023. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

## **PUBLICATION OF AUDITED ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT**

This annual results announcement of the Company has been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of the Company ([www.tathongchina.com](http://www.tathongchina.com)). The annual report of the Company for the year ended 31 March 2023 containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

By order of the Board  
**Tat Hong Equipment Service Co., Ltd.**  
**Mr. Ng San Tiong**  
*Chairman*

Hong Kong/the PRC, 29 June 2023

*As at the date of this announcement, the Board comprises Mr. Yau Kok San and Mr. Lin Han-wei as Executive Directors; Mr. Ng San Tiong, Mr. Sun Zhaolin, Mr. Liu Xin, Mr. Guo Jinjun as Non-executive Directors; and Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen as Independent Non-executive Directors.*