

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023**

**FINANCIAL HIGHLIGHTS**

The Group recorded revenue of approximately RMB358.6 million for the six months ended 30 September 2023, representing a decrease of approximately RMB28.8 million or approximately 7.4% as compared with that for the six months ended 30 September 2022.

Loss attributable to the owners of the Company for the six months ended 30 September 2023 amounted to approximately RMB20.4 million, representing a decrease of approximately RMB21.5 million or approximately 51.2% as compared with the loss attributable to the owners of the Company for the same period in 2022. Such decrease in net loss was mainly due to, among the other factors, (i) the decrease in exchange loss arising from a foreign currency loan, resulting in a decrease in finance costs; and (ii) the decrease in cost of sales due to a decrease in material and repair costs and labor subcontracting cost.

Basic loss per share for the six months ended 30 September 2023 amounted to RMB0.02, representing a decrease of RMB0.02 when compared with the basic loss per share of RMB0.04 for the corresponding period in 2022.

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2023.

**INTERIM 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**”) is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 September 2023, together with comparative figures for the six months ended 30 September 2022 as set out below.

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Note	Unaudited Six months ended 30 September	
		2023 RMB'000	2022 RMB'000
Revenue	4	358,629	387,401
Cost of sales		(294,841)	(311,879)
<b>Gross profit</b>		<b>63,788</b>	<b>75,522</b>
Selling and distribution expenses		(6,566)	(7,635)
General and administrative expenses		(39,579)	(41,343)
Research and development expenses		(11,712)	(12,217)
Provision for financial assets and contract assets		(2,769)	(5,166)
Other income		1,487	3,497
Other losses — net		(143)	(265)
<b>Operating profit</b>		<b>4,506</b>	<b>12,393</b>
Finance costs	5	(30,971)	(56,083)
Finance income	5	531	263
<b>Loss before income tax</b>		<b>(25,934)</b>	<b>(43,427)</b>
Income tax credit	6	5,498	1,547
<b>Loss for the period</b>		<b>(20,436)</b>	<b>(41,880)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(20,436)	(41,880)
<b>Other comprehensive (loss)/income, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		(564)	2
Other comprehensive (loss)/income for the period, net of tax		(564)	2
<b>Total comprehensive loss for the period, net of tax</b>		<b>(21,000)</b>	<b>(41,878)</b>
<b>Basic and diluted loss per share (RMB)</b>	8	<b>(0.02)</b>	<b>(0.04)</b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		Unaudited As at 30 September 2023 <i>RMB'000</i>	Audited As at 31 March 2023 <i>RMB'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,618,629	1,651,070
Right-of-use assets		89,416	101,209
Intangible assets		18,925	21,176
Contract assets	3	34,315	66,549
Other non-current assets		60,614	60,594
		<u>1,821,899</u>	<u>1,900,598</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		41,916	39,584
Contract assets	3	260,200	254,235
Trade receivables	9	773,966	631,071
Prepayments and other receivables		134,955	146,658
Financial assets at fair value through other comprehensive income		23,866	21,925
Restricted cash		—	3,423
Cash and cash equivalents		148,049	155,551
		<u>1,382,952</u>	<u>1,252,447</u>
<b>Total current assets</b>			
		<u>3,204,851</u>	<u>3,153,045</u>
<b>Total assets</b>			

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION (CONTINUED)**

*As at 30 September 2023*

		<b>Unaudited As at 30 September 2023 RMB'000</b>	<b>Audited As at 31 March 2023 RMB'000</b>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	<i>10</i>	<b>667,835</b>	617,415
Lease liabilities		<b>41,023</b>	47,566
Deferred income tax liabilities		<b>63,212</b>	67,628
Provisions		<b>26,092</b>	33,906
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b><u>798,162</u></b>	<b><u>766,515</u></b>
<b>Current liabilities</b>			
Trade and bills payables	<i>11</i>	<b>355,848</b>	387,268
Contract liabilities	<i>3</i>	<b>6,027</b>	896
Other payables and accruals		<b>54,682</b>	37,234
Borrowings	<i>10</i>	<b>433,625</b>	363,845
Lease liabilities		<b>27,801</b>	38,092
Provisions		<b>32,087</b>	41,576
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b><u>910,070</u></b>	<b><u>868,911</u></b>
		<hr/>	<hr/>
<b>Total liabilities</b>		<b><u>1,708,232</u></b>	<b><u>1,635,426</u></b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital	<i>12</i>	<b>593,026</b>	593,026
Reserves	<i>13</i>	<b>512,410</b>	512,974
Retained earnings		<b>391,183</b>	411,619
		<hr/>	<hr/>
<b>Total equity</b>		<b><u>1,496,619</u></b>	<b><u>1,517,619</u></b>
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b><u>3,204,851</u></b>	<b><u>3,153,045</u></b>

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	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 2022 (audited)	593,026	198,353	243,605	49,814	29,073	455,962	1,569,833
Loss for the period	—	—	—	—	—	(41,880)	(41,880)
Other comprehensive income:							
— Currency translation difference	—	—	—	—	2	—	2
Total comprehensive loss	—	—	—	—	2	(41,880)	(41,878)
Dividends (Note 7)	—	(16,912)	—	—	—	—	(16,912)
At 30 September 2022 (unaudited)	<u>593,026</u>	<u>181,441</u>	<u>243,605</u>	<u>49,814</u>	<u>29,075</u>	<u>414,082</u>	<u>1,511,043</u>
At 1 April 2023 (audited)	593,026	181,942	243,605	58,344	29,083	411,619	1,517,619
Loss for the period	—	—	—	—	—	(20,436)	(20,436)
Other comprehensive income:							
— Currency translation difference	—	—	—	—	(564)	—	(564)
Total comprehensive loss	—	—	—	—	(564)	(20,436)	(21,000)
Dividends (Note 7)	—	—	—	—	—	—	—
At 30 September 2023 (unaudited)	<u>593,026</u>	<u>181,942</u>	<u>243,605</u>	<u>58,344</u>	<u>28,519</u>	<u>391,183</u>	<u>1,496,619</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) and requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2023, as described in those annual financial statements.

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

In the current period, the Group has adopted all new and amended HKFRS issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. They do not have a material effect on these unaudited condensed consolidated financial statements.

### (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.

		Effective for accounting periods beginning on or after
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 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (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. (Continued)**

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 these unaudited condensed consolidated financial statements.

## 3. 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:

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Customer A	<b>44,090</b>	53,557
Customer B*	<b>48,730</b>	N/A
Customer C	<b>41,019</b>	39,301

- \* Revenue of this customer amounted to less than 10% of the total revenue of the Group for the six months ended 30 September 2022.

### 3. SEGMENT INFORMATION (CONTINUED)

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

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
<b>Contract assets</b>		
Non-current	<b>34,388</b>	66,833
Loss allowance	<u>(73)</u>	<u>(284)</u>
	<b><u>34,315</u></b>	<b><u>66,549</u></b>
Current	<b>260,758</b>	255,435
Loss allowance	<u>(558)</u>	<u>(1,200)</u>
	<b><u>260,200</u></b>	<b><u>254,235</u></b>
Total contract assets	<b><u>294,515</u></b>	<b><u>320,784</u></b>
	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
<b>Contract liabilities</b>		
— Advances from disposal of equipment	<b>4,943</b>	—
— Advances from operating lease	<u>1,084</u>	<u>896</u>
	<b><u>6,207</u></b>	<b><u>896</u></b>



### 3. 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 carried-forward contract liabilities.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period	<u><b>728</b></u>	<u><b>3,267</b></u>

#### (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 and have been commenced but not yet been completed.

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at</b>	<b>As at</b>
	<b>30 September</b>	<b>31 March</b>
	<b>2023</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
One-stop tower crane solution services	<b>676,867</b>	589,030
Dry lease	<u><b>8,553</b></u>	<u>13,778</u>
	<u><b>685,420</b></u>	<u><b>602,808</b></u>

The Company expects that unsatisfied one-stop tower crane solution services and dry lease of approximately RMB380,372,000 as at 30 September 2023 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB305,048,000 will be recognised as revenue after 1 year but less than 5 years.

#### 4. REVENUE

An analysis of revenue is as follows:

	Unaudited Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
<b>Timing of revenue recognition — Over the time</b>		
One-stop tower crane solution services:		
— Operating Lease	141,664	183,044
— Hoisting Service	210,019	203,054
Dry lease	6,946	1,303
	<u>358,629</u>	<u>387,401</u>

#### 5. FINANCE COSTS AND INCOME

	Unaudited Six months ended 30 September	
	2023	2022
	RMB'000	RMB'000
Finance costs:		
Interest expenses on borrowings and loans from a related party	27,112	17,132
Interest expenses on lease liabilities	1,363	1,472
Net exchange losses on foreign currency borrowings and loans from a related party	2,496	37,479
	<u>30,971</u>	<u>56,083</u>
Total finance costs		
	<u>30,971</u>	<u>56,083</u>
Finance income:		
Interest income	(531)	(263)
	<u>(531)</u>	<u>(263)</u>
Finance costs — net	<u>30,440</u>	<u>55,820</u>

## 6. INCOME TAX CREDIT

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax	—	1,419
Over-provision in prior years	<b>(1,082)</b>	—
Deferred income tax	<b>(4,416)</b>	(2,966)
	<hr/>	<hr/>
Income tax credit	<b><u>(5,498)</u></b>	<b><u>(1,547)</u></b>

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.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 September 2023 is 21.3% (for the six months ended 30 September 2022: 3.6%).

## 7. DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 September 2023 (for the six months ended 30 September 2022: Nil).

## 8. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of shares in issue or deemed to be in issue during the financial period. Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The fully diluted loss per share for the financial period is the same as the basic loss per share as there is no dilutive potential share during the financial period.

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2023</b>	<b>2022</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Loss attributable to the owners of the Company	<b><u>(20,436)</u></b>	<b><u>(41,880)</u></b>
Weighted average number of ordinary shares in issue ('000)	<b>1,166,871</b>	<b>1,166,871</b>
Basic and diluted loss per share (RMB)	<b><u>(0.02)</u></b>	<b><u>(0.04)</u></b>

## 9. TRADE RECEIVABLES

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
Accounts receivable	<b>793,933</b>	647,347
Less: provision for impairment	<b>(19,967)</b>	(16,276)
	<b><u>773,966</u></b>	<b><u>631,071</u></b>

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

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
Accounts receivable		
Within credit term	<b>235,731</b>	186,923
Less than 180 days past due	<b>240,953</b>	220,259
More than 180 days but less than 1 year past due	<b>125,168</b>	98,976
More than 1 but less than 2 years past due	<b>92,501</b>	79,226
More than 2 years past due	<b>99,580</b>	61,963
	<b><u>793,933</u></b>	<b><u>647,347</u></b>

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 30 September 2023, the Group pledged accounts receivables with carrying amount of approximately RMB159,644,000 (31 March 2023: RMB179,542,000) for the borrowings of the Group (Note 10).

The Group's trade receivables were denominated in RMB.

## 10. BORROWINGS

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
Non-current		
Bank borrowings — Secured	<u>667,835</u>	<u>617,415</u>
Current		
Bank borrowings — Secured	<u>399,113</u>	<u>327,683</u>
Bank borrowings — Unsecured	<u>34,512</u>	<u>36,162</u>
	<u>433,625</u>	<u>363,845</u>
Total borrowings	<u><u>1,101,460</u></u>	<u><u>981,260</u></u>

As at 30 September 2023 and 31 March 2023, the Group's borrowings were repayable as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
Within 1 year	<u>433,625</u>	<u>363,845</u>
More than 1 year but less than 2 years	<u>160,329</u>	<u>134,372</u>
More than 2 years but less than 5 years	<u>507,506</u>	<u>483,043</u>
	<u><u>1,101,460</u></u>	<u><u>981,260</u></u>

## 10. BORROWINGS (CONTINUED)

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

	<b>Unaudited As at 30 September 2023 RMB'000</b>	<b>Audited As at 31 March 2023 RMB'000</b>
RMB	1,042,024	926,784
HKD	46,423	30,569
SGD	13,013	18,764
USD	—	5,143
	<u>1,101,460</u>	<u>981,260</u>

The weighted average effective interest rates per annum for the six months ended 30 September 2023 and the year ended 31 March 2023 were as follows:

	<b>Unaudited Six months ended 30 September 2023 RMB'000</b>	<b>Audited Year ended 31 March 2023 RMB'000</b>
RMB	5.0%	4.6%
HKD	6.5%	1.7%
SGD	4.8%	4.8%
USD	—	4.0%

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:

- (i) As at 30 September 2023, the syndicated bank borrowings of RMB208,307,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd. (“**Changzhou Tat Hong**”) and the Company, and secured by the pledge of machinery with carrying value of RMB291,620,000.

## 10. BORROWINGS (CONTINUED)

The borrowings of RMB35,000,000 were guaranteed by Tat Hong Zhaomao Investment Group Co., Ltd. (“**Tat Hong Zhaomao**”).

The borrowings of RMB10,000,000 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.

The borrowings of RMB167,089,000 were guaranteed by the Company, and secured by the accounts receivable of third-party with amount of RMB159,644,000.

The borrowings of RMB5,000,000 were guaranteed by an external third party, Jiangsu Huajian Financing Guarantee Co., LTD. Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd. (“**Ronghe Tat Hong**”), a subsidiary of the Group, pledged tower cranes and spare parts with carrying value of RMB10,081,000 to the external third party for full counter-guarantee.

The borrowings of RMB31,500,000 were guaranteed by Tat Hong Zhaomao and secured by the land-use rights with carrying value of RMB12,147,000 and the buildings with carrying value of RMB4,903,000.

The borrowings of RMB8,718,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB18,022,000.

The borrowings of RMB29,738,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB55,966,000.

The borrowings of RMB13,013,000 were guaranteed by the Company and standby letter of credit from Standard Chartered Bank (Singapore) Limited, and secured by the pledge of machinery with carrying value of RMB52,493,000.

The borrowings of RMB79,095,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB112,712,000.

The borrowings of RMB147,727,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB208,917,000.



## 10. BORROWINGS (CONTINUED)

The borrowings of RMB35,240,000 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 RMB64,067,000.

The borrowings of RMB58,822,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, and Jiangsu Hengxingmao Financial Leasing Co., Ltd. (“**Hengxingmao**”), and secured by the pledge of machinery with carrying value of RMB73,087,000.

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 RMB23,776,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB4,801,000 were guaranteed by Zhongjian Tat Hong, and secured by the pledge of machinery with carrying value of RMB7,018,000.

The borrowings of RMB14,483,000 were guaranteed by certain subsidiaries, including, Zhongjian Tat Hong and Changzhou Tat Hong, and secured by the pledge of machinery with carrying value of RMB13,789,000.

The borrowings of RMB102,133,000 were guaranteed by certain subsidiaries, including Zhongjian Tat Hong, Changzhou Tat Hong and Tat Hong Zhaomao, and secured by the pledge of machinery with carrying value of RMB125,307,000.

The borrowings of RMB4,506,000 were guaranteed by Tat Hong Zhaomao, and secured by the pledge of machinery with carrying value of RMB11,442,000.

The borrowings of RMB20,000,000 were guaranteed by the Company.

The borrowings of RMB13,747,000 were secured by the security deposit with amount of RMB3,000,000.

The borrowings of RMB51,254,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB73,480,000.

## 10. BORROWINGS (CONTINUED)

- (ii) As at 31 March 2023, the syndicated bank borrowings of RMB221,151,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong and the Company, and secured by the pledge of machinery with carrying value of RMB241,007,000.

The borrowings of RMB35,000,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB10,000,000 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.

The borrowings of RMB2,650,000 were guaranteed by the Company, and secured by the commercial acceptance bill with carrying value of RMB588,400 and deposits of RMB3,200,000.

The borrowings of RMB136,000,000 were guaranteed by the Company, and secured by the accounts receivable of third-party with amount of RMB179,542,000.

The borrowings of RMB5,000,000 were guaranteed by an external third party, Jiangsu Huajian Financing Guarantee Co., LTD. Ronghe Tat Hong pledged tower cranes and spare parts with carrying value of RMB10,653,000 to the external third party for full counter-guarantee.

The borrowings of RMB32,500,000 were guaranteed by Tat Hong Zhaomao, and secured by the land-use rights with carrying value of RMB12,353,000 and the buildings with carrying value of RMB5,038,000.

The borrowings of RMB10,863,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB23,277,000.

The borrowings of RMB34,663,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB57,328,000.

The borrowings of RMB18,764,000 were guaranteed by the Company and standby letter of credit from Standard Chartered Bank (Singapore) Limited, and secured by the pledge of machinery with carrying value of RMB53,885,000.

## 10. BORROWINGS (CONTINUED)

The borrowings of RMB88,952,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB129,144,000.

The borrowings of RMB156,402,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB227,607,000.

The borrowings of RMB69,900,000 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 RMB107,945,000.

The borrowings of RMB62,498,000 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 RMB71,260,000.

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 RMB28,466,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB6,486,000 were guaranteed by Tat Hong Zhaomao, and secured by the pledge of machinery with carrying value of RMB6,267,000.

The borrowings of RMB22,803,000 were guaranteed by certain subsidiaries, including Zhongjian Tat Hong, Changzhou Tat Hong and Tat Hong Zhaomao, and secured by the pledge of machinery with carrying value of RMB33,880,000.

## 11. TRADE AND BILLS PAYABLES

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
Accounts payable	<b>335,654</b>	344,296
Bills payable	<b>20,194</b>	42,972
	<b><u>355,848</u></b>	<b><u>387,268</u></b>

As at 30 September 2023 and 31 March 2023, the aging analysis of the trade payables (including amounts due to related parties of trading in nature), based on transaction date, is as follows:

	<b>Unaudited</b> <b>As at</b> <b>30 September</b> <b>2023</b> <i>RMB'000</i>	<b>Audited</b> <b>As at</b> <b>31 March</b> <b>2023</b> <i>RMB'000</i>
Within 3 months	<b>136,702</b>	102,443
More than 3 months but less than 1 year	<b>152,590</b>	203,526
More than 1 year but less than 2 years	<b>42,252</b>	35,777
More than 2 years but less than 3 years	<b>1,757</b>	1,296
More than 3 years but less than 5 years	<b>1,100</b>	768
More than 5 years	<b>1,253</b>	486
	<b><u>335,654</u></b>	<b><u>344,296</u></b>

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

## 12. SHARE CAPITAL

Share capital as at 30 September 2023 and 31 March 2023, represented the share capital of the Group.

	<b>Number of Shares Authorised '000</b>	<b>Number of Shares Issued '000</b>	<b>Share Capital USD'000</b>	<b>Share Capital RMB'000</b>
As at 30 September 2023 (unaudited) and 31 March 2023 (audited) (ordinary shares of USD0.08 each)	<b><u>1,875,000</u></b>	<b><u>1,166,871</u></b>	<b><u>93,350</u></b>	<b><u>593,026</u></b>

## 13. RESERVES

Reserves of the Group during the six months ended 30 September 2023 and the year ended 31 March 2023 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

The Group mainly engages in the provision of one-stop tower crane solution services covering consultation, technical design, commissioning, construction to after-sales services to Chinese Special-tier and Tier-1 EPC contractors. We mainly participate in engineering, procurement and construction projects (“**EPC projects**”) of our clients in the industries of infrastructure, clean energy, traditional energy, public and factory building, commercial and residential building, which are primarily located in the People’s Republic of China (the “**PRC**”). During the six months ended 30 September 2023, the Group managed a total of 1,185 tower cranes, making our tower crane fleet the second largest in China’s tower crane service market. Our large-scale tower crane fleet enables us to place our focus on large to medium-sized construction projects, providing them with comprehensive tower crane services with a wide range of lifting capacities (ranging from 80 to 3,150 tonne metres (TM)).

In the period, China’s construction industry was still being hindered by the slow post pandemic economic recovery. The supply of new domestic construction projects decreased substantially compared to last year. This resulted in the decline in the average monthly service price of tower cranes per tonne metres (TM). In order to maintain the domestic market position, the Group had expanded its geographical frontier to the Greater Bay Area to cover Hong Kong and Macau. As of June 2023, the first unit of tower crane was deployed in Hong Kong, and more than 20 units were also deployed in Macau. In the meantime, we are also making inroads into other foreign geographical territories to increase our future revenue.

During the period, we had invested a great amount of effort in our digitalized management platforms of “TOP” and “iSmartCon” to improve the efficiency in management and operation. Meanwhile, we had also continued on the research and development of new tower crane technical solutions. As at 30 September 2023, we possess 146 registered patents for utility models and inventions relating to tower cranes. We believe our robust technical capabilities will continue to enable us to procure projects, and the enhancement in our research and development capabilities for tower crane technical solutions will reinforce our excellent delivery in services.

## **Operating Results**

The Group recorded a net loss of approximately RMB20.4 million for the six months ended 30 September 2023, representing a decrease of net loss of approximately 51.2% as compared with the net loss of approximately RMB41.9 million for the six months ended 30 September 2022. Such decrease in loss was mainly due to, among the other factors, (i) the decrease in exchange loss arising from a foreign currency loan, resulting in a decrease in finance costs; and (ii) the decrease in cost of sales due to a decrease in material and repair costs and labor subcontracting cost.

## **Future Development**

The present pace of market recovery in China is sluggish, but it is expected to gradually get back on track under the premise of high-quality growth. The Group will make timely adjustments to its operational and geographical strategies in response to the evolving global market environment. The rapid development of clean and green energy in the PRC will present new opportunities to the Group.

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 on the sustainable development strategic goals of the Group. Through improved digitalized management, we can achieve resources sharing, cost reduction and efficiency enhancement, while at the same time proactively pursuing international businesses. This series of measures can improve operating efficiency and fulfil the Group’s goal to become “the best construction equipment service provider” in the industry.

## **FINANCIAL REVIEW**

### **Revenue**

The Group’s revenue decreased to RMB358.6 million for the six months ended 30 September 2023, representing approximately 7.4% decrease from that for the six months ended 30 September 2022. Although our total tonne metres (TM) in use increased from 1,577,983 for the six months ended 30 September 2022 to 1,594,911 for the six months ended 30 September 2023, the average monthly service price of tower cranes per tonne metres (TM) in use decreased from RMB257 to RMB225, thereby affecting the Group’s revenue.

### **Cost of Sales**

Our cost of sales decreased by approximately 5.5% from approximately RMB311.9 million for the six months ended 30 September 2022 to approximately RMB294.8 million for the six months ended 30 September 2023. Such decrease was mainly attributable to a decrease in material and repair costs and labor subcontracting cost.

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

Our overall gross profit decreased by approximately 15.5% from approximately RMB75.5 million for the six months ended 30 September 2022 to approximately RMB63.8 million for the six months ended 30 September 2023. Our overall gross profit margin decreased from approximately 19.5% for the six months ended 30 September 2022 to approximately 17.8% for the corresponding period in 2023. Such decrease was mainly due to the combined effects of the above-mentioned.

## **Other income**

The other income for the six months ended 30 September 2023 was approximately RMB1.5 million, representing a decrease of approximately RMB2.0 million or approximately 57.5% as compared to that of approximately RMB3.5 million for the six months ended 30 September 2022. Our other income mainly comprised of value-add tax refund and government grants. The decrease was mainly due to the decrease in receipt of government grants.

## **Research and development expenses**

Our research and development expenses decreased from approximately RMB12.2 million for the six months ended 30 September 2022 to approximately RMB11.7 million for the six months ended 30 September 2023. This was mainly due to the decrease in development work on patents. The percentage of research and development expense to the total revenue remains unchanged.

## **Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately 14.0% from approximately RMB7.6 million for the six months ended 30 September 2022 to approximately RMB6.6 million for the six months ended 30 September 2023. Such decrease was mainly due to the adoption of online working by the Group, which led to the reduction in travelling expenses.

## **General and administrative expenses**

Our general and administrative expenses for the six months ended 30 September 2023 amounted to approximately RMB39.6 million, representing a decrease of approximately RMB1.7 million or 4.3% as compared to that of approximately RMB41.3 million for the six months ended 30 September 2022. The general and administrative expenses mainly comprised of professional expenses, salary costs and office expenses. Such decrease was primarily attributable to the decrease in travelling expenses and office expenses as a result of telecommuting.



## **Finance costs**

Our finance costs for the six months ended 30 September 2023 amounted to approximately RMB31.0 million, representing a decrease of approximately RMB25.1 million or approximately 44.8% as compared to that of approximately RMB56.1 million for the six months ended 30 September 2022. The decrease was mainly due to the decrease in exchange loss arising from a foreign currency loan, resulting in the decrease in finance costs.

## **Income tax credit**

Our income tax credit for the six months ended 30 September 2023 amounted to approximately RMB5.5 million, as compared to income tax credit of approximately RMB1.5 million for the six months ended 30 September 2022. Such increase in tax credit was due to tax refund during the period.

## **Loss for the period**

As a result of the above-mentioned reasons, the Group recorded a loss of RMB20.4 million for the six months ended 30 September 2023 as compared to a loss of RMB41.9 million in the corresponding period, representing a decrease in loss of approximately RMB21.5 million or approximately 51.2% as compared with that for the same period in 2022.

## **Working capital structure**

The Group's net current assets amounted to approximately RMB472.9 million as at 30 September 2023, representing an increase of approximately RMB89.3 million from that as at 31 March 2023, which was mainly due to the decrease in trade and bills payables and the increase in trade receivables.

## **Liquidity and financial management**

A substantial amount of capital is required to fund our purchase of tower cranes, working capital requirements and general business expansion. Our operations 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 30 September 2023, the cash and cash equivalents were approximately RMB148.0 million, representing a decrease of approximately RMB7.5 million when compared with those as at 31 March 2023.

The Group's current ratio (which represents the total sum of current assets, divided by the total sum of current liabilities) was 1.52 times as at 30 September 2023, as compared to that of 1.44 times as at 31 March 2023. The increase in current ratio was mainly attributable to the decrease in trade and bills payables and the increase in trade receivables.

The gearing ratio of the Group, (which represents the total sum of borrowings and lease liabilities, divided by total equity), was 78.2% as at 30 September 2023, as compared to that of 70.3% as at 31 March 2023. The increase in gearing ratio was mainly attributable to the increase in borrowings.

### **Pledge of assets**

As at 30 September 2023, the Group pledged machineries with carrying amount of approximately RMB1,118.0 million (31 March 2023: RMB962.3 million) for the borrowings of the Group.

As at 30 September 2023, the land-use rights with carrying amount of approximately RMB12.1 million (31 March 2023: RMB12.4 million) were secured for the borrowings of the Group.

As at 30 September 2023, the buildings with carrying amount of approximately RMB4.9 million (31 March 2023: 5.0 million) were secured for the borrowings of the Group.

### **Lease Liabilities**

The lease liabilities decreased by approximately 19.7% from approximately RMB85.7 million as at 31 March 2023 to approximately RMB68.8 million as at 30 September 2023. This was mainly due to the payment of rental expenses.

## **CAPITAL COMMITMENT**

As at 30 September 2023, the contracted but not delivered property, plant and equipment was approximately RMB22.5 million, representing an increase of approximately RMB3.5 million from that as at 31 March 2023.

## **CONTINGENT LIABILITIES**

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

## **FOREIGN EXCHANGE RISK MANAGEMENT**

The net exchange loss for the six months ended 30 September 2023 amounted to approximately RMB2.4 million, representing a decrease of approximately RMB34.8 million as compared to that of approximately RMB37.2 million for the six months ended 30 September 2022. The Group mainly operates in the PRC with RMB as the functional currency, and most of our 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 subsequent periods. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the six months ended 30 September 2023.

## SIGNIFICANT INVESTMENT HELD

The Group had no significant investment as at 30 September 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 of the underwriting fees and commissions and other expenses payables by the Group in connection with the Global Offering. As of 30 September 2023, the amount of Net Proceeds which remain unutilised amounted to approximately HKD14.1 million. Set out below are details of the planned allocation of the Net Proceeds, the utilised and unutilised amount of the Net Proceeds as at 30 September 2023:

Usage	% of Total Net Proceeds	Planned Allocation of the Net Proceeds HKD'000	Unutilised Net Proceeds as at 1 April 2023 HKD'000	Utilised Net Proceeds during the six months ended 30 September 2023 HKD'000	Utilised Net Proceeds up to 30 September 2023 HKD'000	Unutilised Net Proceeds as at 30 September 2023 HKD'000	Expected Timeline of Full Utilisation of the Net Proceeds
Purchase tower cranes	63.0%	305,865	60,493	46,365	291,737	14,128	By 31 March 2024
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 “ <b>Prospectus</b> ”))	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>60,493</u>	<u>46,365</u>	<u>471,372</u>	<u>14,128</u>	

Since 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 had been postponed and delayed. The balance of the unutilized net proceeds for purchasing tower cranes is expected to be fully utilized by 31 March 2024.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the six months ended 30 September 2023 (2022: Nil).

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

During the six months ended 30 September 2023, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 30 September 2023, the Group did not have any immediate plans for material investments and capital assets.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2023, the Group employed a total of 1,069 employees who include the Directors of the Company and its subsidiaries (2022: 1,328 employees). The total employee benefits expenses for the six months ended 30 September 2023 was RMB46.8 million, a decrease of 6.8% when compared with that for the six months ended 30 September 2022. Such decrease was mainly attributable to the a reduction in headcount from 1,328 to 1,069.

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.

## **EVENTS AFTER THE REPORTING PERIOD**

The Group had no material events for disclosure subsequent to 30 September 2023 and up to the date of this announcement.

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

None of the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2023.

## **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 the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2023.

## **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 the Directors by the Company, all the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2023.

## **REVIEW OF THE INTERIM RESULTS**

The Company has set up an audit committee (the “**Audit Committee**”) for the purposes of reviewing and providing supervision over the 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 the Audit Committee.

The Audit Committee has reviewed and has no disagreement to the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 September 2023 and the accounting principles and practices adopted by the Group. The Audit Committee considers that the interim financial information of the Company has complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

## **PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT**

The interim results announcement of the Company has been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and that of the Company ([www.tathongchina.com](http://www.tathongchina.com)). The interim report of the Company for the six months ended 30 September 2023 containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and that of the Company in accordance with the Listing Rules.

By order of the Board  
**Tat Hong Equipment Service Co., Ltd.**  
**Ng San Tiong**  
*Chairman and Non-executive Director*

Hong Kong/the PRC, 29 November 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 and 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.*