



TAT HONG EQUIPMENT SERVICE CO., LTD. 達豐設備服務有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code : 02153



GLOBAL OFFERING

Sole Sponsor



Joint Global Coordinators and Joint Bookrunners



Joint Bookrunners



* For identification purpose only

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Tat Hong Equipment Service Co., Ltd. 達豐設備服務有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	372,720,000 Shares comprising 291,720,000 new Shares and 81,000,000 Sale Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	37,272,000 Shares (subject to adjustment)
Number of International Offer Shares	:	335,448,000 Shares comprising 254,448,000 new Shares and 81,000,000 Sale Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.96 per Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.08 per Share
Stock code	:	2153

Sole Sponsor



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 5 January 2021 and, in any event, not later than Friday, 8 January 2021. The Offer Price will not be more than HK\$1.96 and is currently expected to be not less than HK\$1.50. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.96 for each Offer Share together with a brokerage of 1%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%.

The Joint Global Coordinators, for themselves and on behalf of the Underwriters, may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus (which is HK\$1.50 to HK\$1.96 per Offer Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the Stock Exchange's website at www.hkexnews.hk and our website at www.tathongchina.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If, for any reason, the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and us are unable to reach an agreement on the Offer Price by Friday, 8 January 2021, the Global Offering will not become unconditional and will lapse immediately.

Prospective investors should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain events shall occur prior to 8:00 a.m. on the day on which trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirement under the U.S. Securities Act.

* For identification purpose only

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under **HK eIPO White Form** service through one of the below ways⁽²⁾:

- (1) the designated website www.hkeipo.hk
- (2) the IPO App, which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp⁽²⁾11:30 a.m. on Tuesday, 5 January 2021

Application lists of the Hong Kong Public Offering open⁽³⁾11:45 a.m. on Tuesday, 5 January 2021

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)12:00 noon on Tuesday, 5 January 2021

Latest time to lodge **White** and **Yellow** Application Forms12:00 noon on Tuesday, 5 January 2021

Latest time to give **electronic application instructions** to HKSCC⁽⁴⁾12:00 noon on Tuesday, 5 January 2021

Application lists of the Hong Kong Public Offering close12:00 noon on Tuesday, 5 January 2021

Expected Price Determination Date⁽⁵⁾Tuesday, 5 January 2021

Announcement of:

- the Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering; and
- the basis of allotment of the Hong Kong Offer Shares

to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.tathongchina.com on or beforeTuesday, 12 January 2021

Announcement of results of allotment in the Hong Kong Public Offering (with successful applicants’ identification document numbers where applicable) available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectusTuesday, 12 January 2021

EXPECTED TIMETABLE⁽¹⁾

Results of allocation in the Public Offer to be available at
“Allotment Result” in the **IPO App** or at
www.tricor.com.hk/ipo/result and
www.hkeipo.hk/IPOResult with a “search by ID
Number/Business Registration Number” function from Tuesday, 12 January 2021

Despatch of Share certificates or deposit of Share certificates
into CCASS in respect of wholly or partially
successful applications on or before Tuesday, 12 January 2021

Despatch of refund cheques (if applicable) in respect of
wholly and partially successful applications
(if applicable) or wholly or partially unsuccessful
applications on or before⁽⁶⁾ Tuesday, 12 January 2021

Despatch of **HK eIPO White Form** e-Auto Refund payment instruments
(if applicable) in respect of wholly and partially successful
applications (if applicable) or wholly or partially
unsuccessful applications on or before⁽⁶⁾ Tuesday, 12 January 2021

Dealings in our Shares on the Stock Exchange expected
to commence on 9:00 a.m. on Wednesday, 13 January 2021

Notes:

- (1) All dates and times refer to Hong Kong dates and time, except otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.tathongchina.com.
- (2) You will not be permitted to submit your application through the designated website at www.hkeipo.hk or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 January 2021, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares – Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares – Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Tuesday, 5 January 2021, and in any event will not be later than Friday, 8 January 2021. If, for any reason, the Offer Price is not agreed on or before Friday, 8 January 2021, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

- (6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly successful applications if the final Offer Price is less than the Offer Price payable on application and wholly or partially unsuccessful applications. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to be a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Applicants who apply on **WHITE** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by their Application Form, may collect their Share certificates and/or refund cheques (where applicable) in person from the Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on Tuesday, 12 January 2021 or on the date notified by our Company as the date of dispatch of Share certificates and refund cheques. Applicants being individuals who is eligible for collection in person must not authorise any other person to make their collection on their behalf. Applicants being corporations that is eligible for collection in person must attend by their authorised representatives bearing letters of authorization from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives, as the case may be, must produce at the time of collection evidence of identity acceptable to the Hong Kong Share Registrar. If an applicant is eligible for collection in person but does not collect the Share certificate and/or refund cheque (where applicable) by 1:00 p.m. on Tuesday, 12 January 2021, the Share certificate and/or refund cheque (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant’s own risk.

Applicants who apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, may have e-Auto Refund payment instructions (if any) dispatched to their application payment bank account. Applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, may have refund cheque(s) sent to the address specified in their application instructions to the designated **HK eIPO White Form** Service Provider by ordinary post and at their own risk.

Applicant who apply on **YELLOW** Application Forms for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by their Application Form, may collect their refund cheques (where applicable) in person from the Hong Kong Share Registrar between 9:00 a.m. and 1:00 p.m. on Tuesday, 12 January 2021 or on the date notified by our Company as the date of dispatch of refund cheques. The procedure for collection of the refund cheque (where applicable) is the same as that for **WHITE** Application Form applicant. Share certificate for successful applicant using **YELLOW** Applicant Form will be deposited into CCASS for credit to the applicant’s investor participant stock account or the stock account of the applicant’s designated CCASS participant. Detailed arrangements are set out in the section headed “How to Apply for Hong Kong Offer Shares – 14. Despatch/collection of Share certificates and refund monies” in this prospectus.

For Applicants who apply for less than 1,000,000 Hong Kong Offer Shares, their Share certificate and/or refund cheques (where applicable) will be sent to the address as it appeared on the relevant Application Form in the afternoon on the date of dispatch by ordinary post at the applicant’s own risk.

EXPECTED TIMETABLE⁽¹⁾

Share certificates will only become valid certificates of title if the Global Offering has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms, which is expected to be at or around 8:00 a.m., on Wednesday, 13 January 2021. Investors who trade in our Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

If you apply by **White** or **Yellow** Application Form, subject to personal collection as mentioned in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **Yellow** Application Forms, share certificates will be deposited into CCASS as described in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

You should read carefully the sections headed “Underwriting”, “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details relating to the structure and conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable including, inter alia, applicable conditions, the effect of bad weather, and the despatch of refund cheques and Share certificates.

We will publish an announcement in case there is any change in the expected timetable of the Hong Kong Public Offering as described above.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with different information. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire prospectus before you decide to invest in the Offer Shares. There are risks associated with an investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS OVERVIEW

We are the first foreign-owned tower crane service provider established in the PRC. According to Frost & Sullivan, the tower crane service market in the PRC is extremely fragmented with the top five players only accounted for the market share of approximately 4% in terms of revenue in 2019 whereas we accounted for approximately 0.7%. 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. During the Track Record Period, we had mainly engaged in EPC projects in infrastructure, energy, commercial and residential sectors conducted by our customers. Guided by our core values, which are “Virtue (厚德), Safety (安全) and Excellence (卓越)”, we have successfully established our market position and maintained stable, reputable and loyal customer base in the construction industry in the PRC.

We are well-recognised in the industry and have built a strong reputation in our awareness to workers’ safety, service quality and technical strength. We possess Class A Certificate for Erection, Modification and Maintenance of Special Type Equipment (特種設備安裝改造維修許可證(起重機械A級)) granted by the Jiangsu Quality and Technology Supervisory Bureau (江蘇省質量技術監督局) and Construction Enterprise Qualification Certificate (建築業企業資質證書) with qualification category and grade of Class One Lifting Equipment Erection and Project Outsourcing (起重設備安裝工程專業承包一級) issued by the Jiangsu Housing and Urban Rural Construction Department (江蘇省住房和城鄉建設廳) for conducting tower crane service business in the PRC. As at the Latest Practicable Date, we possessed 41 registered patents for utility models and inventions relating to tower cranes. Over the years, we have taken part in and witnessed the completion of various large-scale landmark projects, including the Beijing CITIC Bank IT Research and Development Centre (北京市中信銀行信息技術研發基地), the man-made island of the Hong Kong-Zhuhai-Macau Bridge (港珠澳大橋島隧工程東人工島項目), the expansion of halls and construction of steel structures of subway stations of the Phase Three of the Shanghai Pudong International Airport (上海浦東國際機場三期擴建工程衛星廳及捷運車站鋼結構工程), the Beijing Daxing International Airport (北京大興新機場) and the Shanxi Niucun Wenchi Coal and Electricity Power Plant (山西牛村鎮溫池村孟縣電廠). We have also received numerous awards and recognition from our customers, forum and government authorities, such as, China Top 20 Tower Crane Rental Company (中國塔機租賃商20強) issued by the Organising Committee of World Tower Crane Summit & China Tower Crane Rental 100 Forum (全球塔式起重機峰會暨中國塔機租賃商百強大會組委會) and China Construction Machinery Magazine (中國工程機械雜誌) in 2020, the Certificate of Enterprise Credit Grade AAA (企業信用等級證書AAA級) issued by the China Construction Industry

SUMMARY

Association (中國建築業協會) in 2019, and the 2018 Annual Safety Production Advance Enterprise Award (2018年度安全工作先進企業) issued in January 2019 by the Shanghai Development Safety Association for Construction Safety (上海市建設安全協會建築設施安全分會).

We first established our business presence in the PRC in 2007 by entering the eastern China market. Throughout the years, we have gradually expanded into more regional markets and established our operational presence across the PRC. Nevertheless, our revenue during the Track Record Period was primarily generated from our projects located in the eastern China region.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have allowed us to achieve sustainable growth and profitability and maintain our positions in the tower crane service industry in the PRC:

- We are a leading foreign-owned tower crane service provider in the PRC;
- We have nationwide network and maintain stable and long-term business relationship with high quality customers;
- We are capable of managing and functioning our operation in a centralised and effective manner with our in-house developed integrated information systems; and
- We have an experienced, innovative and high calibre management team.

FUTURE STRATEGIES

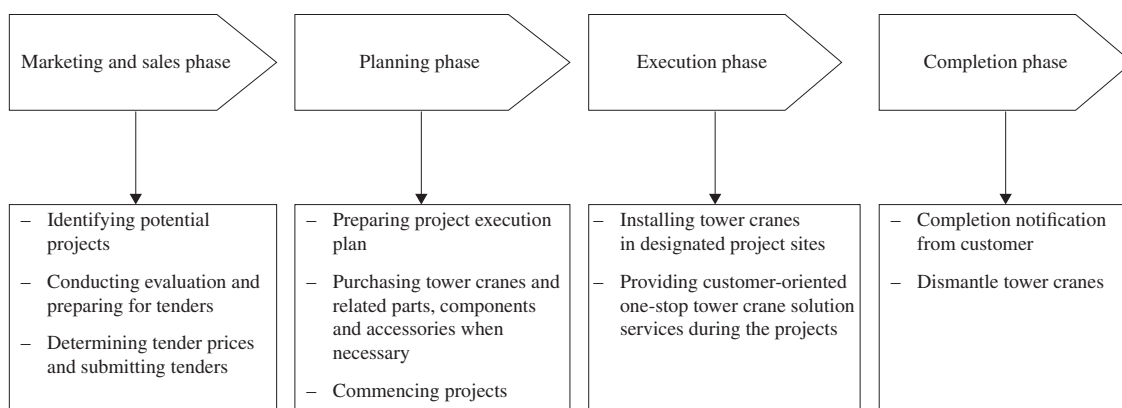
We intend to further strengthen our leading position in the tower crane service industry in the PRC and continue to expand our business. We plan to achieve our goals by pursuing the following principal future strategies:

- Align our business with governmental initiatives, continue to focus on the fleet expansion on medium-to-large sized tower cranes and recruit talents to capture future growth opportunities;
- Expand our Yangzhou Refurbishment Centre to extend our scope of services to our customers and/or industrial peers;
- Maintain and strengthen our strong relationship with our long-term and reputable customers and gradually expand our market in Indonesia under China's Belt and Road Initiative; and
- Expand our business operation through investment.

SUMMARY

OUR BUSINESS MODEL

The following diagram illustrates our business model:



OUR TOWER CRANES AND PROJECTS

The tower cranes we use for providing our tower crane solution services are topless tower cranes, topkit tower cranes and luffing jib tower cranes, bearing maximum lifting capacity ranging from 81TM to 200TM, 201TM to 300TM, 301TM to 900TM, and above 901TM. We typically employ more than one type of tower cranes in a particular project to meet our customers' technical requirements. As at the Latest Practicable Date, we owned a fleet of 1,008 tower cranes, which are all branded under “達豐”.

We primarily focus on and generate our revenue from providing one-stop tower crane solution services to Chinese Special-tier and Tier-1 EPC contractors. We mainly engage in their EPC projects in the commercial, infrastructure, residential and energy sectors. During the Track Record Period, we had successfully completed 653 projects in the PRC, among which, more than 80% of these projects were awarded by Special-tier or Tier-1 EPC contractors. As at 30 June 2020, we had 269 projects in progress, which represent service contracts awarded to us but have not yet been completed, and 29 projects on hand, which represent service contracts awarded to us but have not yet been started. Our Directors confirmed that we did not have any loss-making projects during the Track Record Period.

SUMMARY

The table below sets out our revenue by our major project type for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
Commercial ⁽¹⁾	269,700	49.1	307,154	46.8	329,898	44.3	93,389	49.2	93,335	45.6
Residential ⁽²⁾	85,341	15.5	138,569	21.1	198,215	26.6	39,598	20.9	58,820	28.6
Infrastructure ⁽³⁾	120,099	21.9	141,567	21.6	178,202	23.9	42,719	22.5	45,006	22.0
Energy ⁽⁴⁾	73,987	13.5	68,713	10.5	38,606	5.2	13,961	7.4	7,727	3.8
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

- Commercial primarily refers to our EPC projects for commercial buildings, industrial parks and shopping malls;
- Residential primarily refers to our EPC projects for residential properties and affordable housing;
- Infrastructure primarily refers to our EPC projects for airports, railway stations and bridges; and
- Energy primarily refers to our EPC projects for hydropower stations, nuclear power plants and LNG terminals.

The table below sets out our revenue by our service type for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
One-stop tower crane solution services ⁽¹⁾	545,614	99.4	647,121	98.6	738,400	99.1	187,382	98.8	202,793	99.0
– Operating lease	284,967	51.9	375,592	57.2	434,774	58.4	102,748	54.2	112,055	54.7
– Hoisting services	260,647	47.5	271,529	41.4	303,626	40.7	84,634	44.6	90,738	44.3
Dry lease service ⁽¹⁾⁽²⁾	3,513	0.6	8,882	1.4	6,521	0.9	2,285	1.2	2,095	1.0
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

- Our service contracts with customers contain lease component (“**operating lease**”) and non-lease component (“**hoisting service**”). Revenue from operating lease is recognised on a straight-line basis over the lease term. Revenue from hoisting service is recognised over the service period and measured by input method, which is on the basis of our Group’s inputs to the satisfaction of hoisting service (mainly including labour hours incurred) in relation to the total expected inputs to the satisfaction of hoisting service. For further details of our revenue recognition policy for different type of services, please refer to the section headed “Financial Information – Impacts of the adoption of new and amendments to certain accounting policies” in and note 2.21 to our financial statements included in the accountant’s report in Appendix I to this prospectus; and
- Leasing our tower cranes to customers’ project sites for their own use without us providing any further service is classified as dry lease service. Revenue from dry lease is recognised on a straight-line basis over the lease term.

SUMMARY

GROSS PROFIT AND GROSS PROFIT MARGIN

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our overall gross profit was approximately RMB135.5 million, RMB181.9 million, RMB253.2 million and RMB74.8 million, respectively, and our overall gross profit margin was approximately 24.7%, 27.7%, 34.0% and 36.5%, respectively. Our gross profit increased during the Track Record Period, primarily due to our increased revenue. Our gross profit margin also increased during the Track Record Period, primarily due to the general increase in our average monthly service price of tower cranes per TM in use for the same period, primarily the result of (i) our increased use of medium-to-large sized tower cranes in our projects (including both of the self-owned and rented tower cranes), which generally had higher unit prices as stipulated in our service contracts as agreed by our customers; (ii) our strong technical capabilities; and (iii) the general increase in the average monthly dry leasing price of tower cranes per TM in the PRC tower crane service market since 2018 primarily as a result of the general increase in construction projects in the PRC according to Frost & Sullivan. The general increases in our gross profit and gross profit margin during the Track Record Period were partially offset by (i) our labour subcontracting costs; and (ii) our use of rented tower cranes in projects, which in turn, affected our depreciation of right-of-use assets and rental cost for tower cranes with rental period less than one year during the Track Record Period. In addition, as we conduct our tower crane solution services on a project-by-project basis, our gross profit margin typically varies from project to project subject to the type, location, size and technical complexity of the projects and the mix of self-owned or rented tower cranes with different types and/or maximum lifting capacity we use in the projects.

OUR CUSTOMERS

Our customers are typically Chinese Special-tier and Tier-1 EPC contractors, which mainly comprise Chinese state-owned enterprises and public companies. Our customers engage us to provide tower crane solution services on a project-by-project basis and generally settle our payment on a monthly basis based on the units of services we provide, such as, the number of tower cranes and labour we have deployed to the project sites, and in accordance with the terms specified in the signed service contracts. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our revenue derived from our tower crane solution services provided to our top five customers amounted to approximately RMB406.2 million, RMB490.6 million, RMB620.4 million and RMB181.7 million, respectively, representing approximately 73.9%, 74.7%, 83.3% and 88.7% of our total revenue for the same period, respectively, while our revenue derived from our tower crane solution services provided to our largest customer amounted to approximately RMB279.2 million, RMB334.8 million, RMB419.9 million and RMB125.7 million, respectively, representing approximately 50.8%, 51.0%, 56.4% and 61.3% of our revenue for the same period, respectively. All of our top five customers are Chinese state-owned enterprises. For more details of our top five customers, please refer to the section headed “Business – Our customers – Top five customers” in this prospectus.

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We typically issue monthly invoices to our customers, which generally include 70% to 80% of the total settlement value of services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates of such monthly invoices vary from project to project and are also typically specified in the contracts. We generally grant a credit period ranging from 30 to 90 days from our invoice date to our customers based on their background and operational scales, financial conditions, business relationship with us and historical payment record. Our customers shall arrange payment in accordance with the payment amount in our monthly invoice within a specified period of time according to the terms specified in the contracts. Our customers typically withhold approximately 20% to 30% of each month's total settlement value as residual money. The accumulated sum of the residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from project sites.

OUR PROCUREMENT, RENTAL AND LABOUR SUBCONTRACTING

We purchase tower cranes and related parts, components and accessories from time to time according to our project needs, inventory level and expansion plans. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we had purchased 31, 33, 63 and 24 tower cranes, respectively, with the purchase costs amounted to approximately RMB33.3 million, RMB46.3 million, RMB88.6 million and RMB28.3 million for the same period, respectively. Our purchases of tower cranes during the Track Record Period included purchases of new and second-hand tower cranes, some of which were ready for deployment to project sites for use and some of which required certain degrees of upgrades, modifications and maintenance before these tower cranes could meet our internal operational standards for deployment to projects sites for use upon obtaining the internal tower crane inspection reports issued by our equipment business unit. Apart from purchasing our owned tower cranes, we had also strategically rented tower cranes and deployed them to our various project sites during the Track Record Period to facilitate our project needs in a systematic manner. We believe that the mix fleet of self-owned and rented tower cranes can provide us with more flexibility and enables us to take on more projects to enhance the utilisation of our existing self-owned tower cranes, which in turn, increase our revenue. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we had rented on average 92, 133, 112 and 109 tower cranes, respectively.

During the Track Record Period, we had purchased tower cranes and related parts and components and also rented tower cranes from Yongmao Group, which was our largest supplier during the Track Record Period. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our total purchases and rental from Yongmao Group amounted to approximately RMB44.8 million, RMB44.9 million, RMB72.0 million and RMB8.8 million, respectively, representing approximately 53.7%, 39.2%, 44.2% and 19.4% of our total procurement (including purchase and/or rental) of tower cranes and related parts, components and accessories for the same period, respectively. In addition, as our non-executive Director, Mr. Sun, is indirectly holding more than 30% equity interests in Yongmao Group, Yongmao Group is considered as an associate of Mr. Sun and a connected person of our Group. Since 2007, we have maintained a strong and stable business relationship with Yongmao Group, considering the quality of the tower cranes manufactured by Yongmao Group, which are

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well recognised in the tower crane service industry in the PRC. For more details of our business arrangement with Yongmao Group, please refer to the sections headed “Risk Factors – We rely on a number of key suppliers to supply tower cranes and related parts, components and accessories during the Track Record Period, in particular, Yongmao Group, which is our largest supplier and connected person”, “Business – Our procurement and rental – Our business arrangement with Yongmao Group” and “Connected Transactions – Non-exempt continuing connected transactions – Yongmao Master Agreement” in this prospectus.

During the Track Record Period, our Jiangsu Hengxingmao acted as a centralised internal leasing entity to manage almost all the new purchases of tower cranes and equipment for the entities within our Group, mainly for the purpose of management efficiency. Apart from that, we did not conduct any financial leasing activities to the external during the Track Record Period. On 26 May 2020, the newly issued Interim Measures for Financial Leasing Companies has put in place a framework to further regulate the financial leasing industry. As our Jiangsu Hengxingmao is primarily engaged in the financial leasing activities and is an entity filed on the National Financial Leasing Enterprise Management Information System (全國融資租賃企業管理信息系統), it is required to comply with the Interim Measures for Financial Leasing Companies in order to continue its financial leasing operation. During the Track Record Period, we had received various preferential tax treatment in the form of value-added tax refund and financial support from the local government authorities. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our value-added tax refund in our other income amounted to approximately RMB4.3 million, RMB12.5 million, RMB6.9 million and RMB1.8 million, respectively, of which nil and approximately RMB11.9 million, RMB6.7 million and RMB1.7 million, respectively, were related to our Jiangsu Hengxingmao. Our Directors have immediately assessed the legal and financial impact on our Jiangsu Hengxingmao under the Interim Measures for Financial Leasing Companies and agreed to put in place a set of preliminary measures. We will, from time to time, monitor and adjust the implementation of our measures during the three-year transaction period in accordance to any new updates of or changes to the Interim Measures for Financial Leasing Companies in the near future. Nevertheless, under the current assessment of our management, it is unlikely that our Jiangsu Hengxingmao would be entitled to such value-added tax refund going forward. For more details, please refer to the sections headed “Risk Factors – Any changes or discontinuation of preferential tax treatment and government grants may affect our business, results of operations and financial condition”, “Regulatory Overview – Laws and regulations on finance leasing enterprises – Interim Measures for Financial Leasing Companies” and “Financial Information – Principal income statement components – Other income” in this prospectus.

Depending on the different schedules or needs of our various projects, we had engaged third-party labour subcontractors during the Track Record Period to take up certain on-site roles, such as, operators, signal supervisors, repair and maintenance workers and handymen. Our labour subcontracting costs amounted to approximately RMB174.9 million, RMB177.3 million, RMB174.4 million and RMB52.4 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. For further details of our labour subcontracting arrangement, please refer to the sections headed “Business – Our business operation – Execution of projects – Labour subcontracting” and “Financial Information – Principal income statement components – Cost of sales” in the prospectus.

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OUR TOWER CRANE YARDS AND YANGZHOU REFURBISHMENT CENTRE

We currently operate eight tower crane yards on our leased properties in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC. We also acquired a piece of land with auxiliary properties in June 2019 with site area of approximately 94,310 sq.m. in Yangzhou, Jiangsu province, the PRC and are in the process of establishing our Yangzhou Refurbishment Centre to meet our internal demand of extensive repair, maintenance and refurbishment for our self-owned tower cranes. We expect the repair, maintenance and refurbishment divisions of our Yangzhou Refurbishment Centre to be fully operational by the second quarter of 2021.

SHAREHOLDER INFORMATION

Upon completion of the Global Offering, our Controlling Shareholders, Chwee Cheng Controlling Shareholder Group, Chwee Cheng & Sons, TH60 Investments, THSC Investments, Tat Hong Holdings, Tat Hong International, TH Straits 2015 and Tat Hong China, beneficially own in total approximately 64.9% of the issued share capital of our Company taking no account of the Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us is set out in the section headed “Risk Factors” in this prospectus. You should read the “Risk Factors” section before you decide to invest in the Offer Shares. Set out below are some of the major risks that may materially and adversely affect us:

- Our performance is dependent on the development of the construction and tower crane service industries in the PRC, which in turn, largely depend on the general economic conditions and government policies;
- We derived a significant portion of our revenue from our major customers during the Track Record Period, failure to maintain our business relationship with or secure new business from these major customers may materially and adversely affect our business, results of operations and financial condition;
- Our ability to compete for projects largely depends on the availability of our tower cranes, and failure to accurately plan the future deployment of tower cranes or purchase or rent the necessary tower cranes in a timely manner may materially and adversely affect our business, results of operations and financial condition; and
- Our business operates under various permits, licences, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licences, approvals and/or qualifications may materially and adversely affect our business, results of operations and financial condition.

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SUMMARY HISTORICAL FINANCIAL INFORMATION

The tables below present the summaries of selected consolidated financial information of our Group for the Track Record Period, which were derived from, and should be read in conjunction with our financial information, including the notes thereto, set out in the accountant's report in Appendix I to this prospectus.

Summary of consolidated statements comprehensive income

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue	549,127	656,003	744,921	189,667	204,888
Cost of sales ⁽¹⁾	(413,582)	(474,103)	(491,683)	(117,903)	(130,086)
Gross profit	135,545	181,900	253,238	71,764	74,802
Other income ⁽²⁾	8,746	18,974	9,963	4,082	3,430
Profit before income tax . . .	54,598	86,992	111,208	40,931	40,818
Profit for the year/period .	51,069	68,336	76,459	29,156	27,599

Notes:

1. Cost of sales primarily consisted of our costs of depreciation of property, plant and equipment and right-of-use assets, labour subcontracting, salaries and benefits of our own project operational staff, travelling expenses, cost of parts, components and accessories, transportation expenses and rental costs of tower cranes with rental period less than one year. For further details, please refer to the section headed "Financial Information – Principal income statement components – Cost of sales" in this prospectus; and
2. Other income primarily consisted of our value-added tax refund and government grants.

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Summary of current assets and liabilities

	As at 31 March			As at 30 June	As at 31 October
	2018	2019	2020	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Current assets	471,853	602,507	731,210	798,950	881,595
Current liabilities	612,916	369,519	346,636	506,369	477,954
Net current (liabilities)/assets	(141,063)	232,988	384,574	292,581	403,641
 Total assets	 1,900,261	 1,948,921	 2,042,502	 2,124,912	 N/A
Total liabilities	983,828	967,919	992,875	1,047,768	N/A
Total equity	916,433	981,002	1,049,627	1,077,144	N/A

We recorded net current liabilities of approximately RMB141.1 million as at 31 March 2018. This was primarily the reason that we used our bank borrowings, which were classified as our current liabilities, to purchase tower cranes, which were classified as our non-current assets. As at 31 March 2019, we recorded net current assets of approximately RMB233.0 million, primarily the reason that we repaid a material portion of our bank borrowings primarily using our loans from a related party, which were classified as non-current liabilities. As at 31 March 2020 and 30 June 2020, we also recorded net current assets of approximately RMB384.6 million and RMB292.6 million, respectively. For more details of our loans from related parties, please refer to the section headed “Financial Information – Indebtedness – Loans from a related party” in this prospectus.

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Summary of consolidated cash flows information

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<i>(Unaudited)</i>				
Operating cash flows before changes in working capital.	277,000	367,647	387,567	109,848	113,141
– Change in working capital.	6,274	(93,655)	(155,685)	(41,418)	(48,448)
– Interest paid (net)	(29,827)	(32,659)	(25,699)	(4,912)	(4,980)
– Income taxes (paid)/received	(7,406)	(5,286)	1,098	(790)	(12,061)
Net cash inflow from operating activities ⁽¹⁾ . . .	246,041	236,047	207,281	62,728	47,652
Net cash outflow from investing activities	(154,321)	(146,839)	(195,242)	(53,416)	(46,966)
Net cash (outflow)/inflow from financing activities.	(123,408)	(68,579)	(4,704)	3,404	(302)
Net (decrease)/increase in cash and cash equivalents	(31,688)	20,629	7,335	12,716	384
Cash and cash equivalents at the beginning of the year/period	47,042	15,291	36,911	36,911	44,430
Effects of exchange rate changes on cash and cash equivalents	(63)	991	184	(16)	49
Cash and cash equivalents at the end of the year/period	15,291	36,911	44,430	49,611	44,863

Note:

1. We derive our cash inflow from operating activities principally from the receipt of payments for the provision of our one-stop tower crane solution services. Our cash outflow from operating activities primarily consisted of our labour subcontracting costs, salaries and benefits for our project operational staff, costs of parts, components and accessories and transportation. For further information, please refer to the section headed “Financial Information – Liquidity and capital resources – Cash flow” and “Consolidated statements of cash flows” in Appendix I to this prospectus.

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Key financial ratios

	Year ended/As at 31 March			Three months ended/As at 30 June
	2018	2019	2020	2020
	Gross profit margin	24.7%	27.7%	34.0%
Net profit margin	9.3%	10.4%	10.3%	13.5%
Return on equity	5.7%	7.2%	7.5%	N/A
Return on assets	2.7%	3.6%	3.8%	N/A
Current ratio	0.8	1.6	2.1	1.6

Our net profit margin increased from approximately 9.3% for the year ended 31 March 2018 to approximately 13.5% for the three months ended 30 June 2020, primarily as a result of the increase in our gross profit margin from approximately 24.7% to approximately 36.5% for the same period. Our return on equity and return on assets increased from approximately 5.7% and 2.7% for the year ended 31 March 2018, respectively, to approximately 7.5% and 3.8% for the year ended 31 March 2020, respectively, primarily due to the increase in our profit for the same period as a result of the increase in our average monthly service price of tower cranes per TM from approximately RMB247 for the year ended 31 March 2018 to approximately RMB326 for the year ended 31 March 2020. Our current ratio increased as at 31 March 2019 and 2020, primarily as a result of the repayment of our current bank borrowings by obtaining long-term loans from a related party and the increases in our trade receivables and contract assets for the same periods. Our current ratio decreased as at 30 June 2020, primarily as a result of the new bank borrowings we obtained to settle our loans from a related party. For more details of our financial ratio, please refer to the section headed “Financial Information – Financial ratios” in this prospectus.

RECENT DEVELOPMENT

As far as we are aware, the tower crane service industry in the PRC remained stable after the Track Record Period. Despite that we had encountered temporary closure of our business and delay of our projects during the late January to April 2020 due to the COVID-19 outbreak in January 2020 in the PRC, there was no significant change to the general business model of our Group and we did not experience any significant drop in revenue or increase in cost of sales or other costs subsequent to the Track Record Period up to the Latest Practicable Date. As at 30 June 2020, our unsatisfied performance obligation was approximately RMB712.9 million, which were primarily related to 269 projects in progress with a total outstanding contract value of approximately RMB582.0 million and 29 projects on hand with a total expected contract value of approximately RMB130.9 million.

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From 1 July 2020 to 30 November 2020, we had secured an additional contract work with an expected contract value of approximately RMB332.1 million, and we had already completed contract work of approximately RMB338.5 million for the same period as compared to approximately RMB325.7 million for the period from 1 July 2019 to 30 November 2019. As such, based on our management account, our revenue and gross profit for the four months ended 31 October 2020 also increased by approximately 4.9% and 11.1% as compared to the same for the four months ended 31 October 2019, respectively. As at 30 November 2020, we had 247 projects in progress with a total outstanding contract value of approximately RMB615.8 million and 27 projects on hand with a total expected contract value of approximately RMB90.7 million. Among which, we expect to complete contract work of approximately RMB267.6 million and RMB352.6 million by the year ending 31 March 2021 and 2022, respectively.

Impact of the COVID-19 disease to our business operation and financial performance

Starting from January 2020, the PRC, especially Wuhan city, had encountered an outbreak of the COVID-19 disease, which had caused different degrees of damage to the PRC economy. The outbreak of the COVID-19 disease had prompted the Chinese government to effectively quarantine Wuhan city and much of the surrounding regions in Hubei province, and to bar people from moving around from cities to cities, as well as to prolong the Chinese New Year holiday. The continuous outbreak of the COVID-19 disease had resulted in temporary closure of our business and delay of our projects during the late January to April 2020 (the “**critical period**”). Due to the PRC governmental travel curtailment and pandemic control measures as a result of the COVID-19 disease during the critical period, many of our employees and on-site staff who had returned to their home provinces prior to the Chinese New Year holidays, were not able to return immediately to work and/or project sites in other provinces. We had also incurred certain delay in delivery of major or larger tower crane components from project site to site due to the controlled and slower transportation between cities and provinces across the PRC.

Despite of the abovesaid, our Directors confirmed that the outbreak of the COVID-19 disease had not caused any material or adverse impact or financial damage to our Group as January to March is typically an inactive season for our business operation as a result of the Chinese New Year holidays and extreme cold weather condition. Furthermore, we have implemented a complete business contingency plan for the Group to (i) encapsulate potential risks and hazards arising from the COVID-19 outbreak; (ii) evaluate emergency situations from time to time and conduct business impact analysis to our core, infrastructural and essential business functions; and (iii) lay out an organised and systematic framework to address, tackle and prevent the possible risks and hazards arising from the COVID-19 outbreak. Under this critical circumstances, our whole Group was fully functional by flexibly working from home with full remote access by relevant management teams to our accounting systems, administrative systems, equipment tracking system and workflow tracking system. Our communication system and decision-making process were well supported by online chat room, public telecoms and our iSmartCon. Since the outbreak of the COVID-19 disease and in particular, during the critical period, our senior management has been closely monitoring the situation and taking initiatives to regularly communicating with our Shareholders, employees, major customers and suppliers in order to limit the impact of the COVID-19 outbreak to our business operation and realise a smoothly transition during this difficult time.

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Furthermore, after assessing our business operation and financial condition during the initial national outbreak of COVID-19 disease and the second regional outbreak in Beijing and Xinjiang Uygur Autonomous Region, we estimate that our cash and cash equivalents as at 30 November 2020 could satisfy our necessary costs for more than 12 months with the cash burn rate of approximately RMB18.6 million per month in the worst case scenario, taking into account, to the reasonable extent, our monthly fixed cash outflow, including employees' salaries and office rental, and payment obligations, such as various payables, loan repayment and interests. In the worst case scenario, we may have to temporarily suspend our operations at some or all of our customers' project sites if any of our on-site staff are suspected or confirmed to have contracted COVID-19, which may require us to quarantine our affected staff, disinfect our workplace and project sites, and reallocate manpower in order to deploy additional staff to the affected project sites. Our key assumptions of the worst case scenario include: (a) we will not generate any income due to the suspension of our business from December 2020 onwards; (b) we will not have to pay labour subcontracting fees to our labour subcontractors due to suspension of projects; (c) we will not rent additional tower cranes unless necessary and accordingly, no additional tower crane related rental cost will be incurred; (d) other rental related payments, including rentals of offices and other miscellaneous charges are paid monthly; (e) no government grants will be received; (f) our outstanding payables of approximately RMB187.8 million as at 30 November 2020 are paid as and when they fall due; (g) our outstanding trade receivables of approximately RMB497.5 million as at 30 November 2020 are received with similar pattern as our historical receivable collection during the Track Record Period; (h) we will incur minimal operating and administrative expenses to maintain our operations at a minimal level; (i) approximately 10% or HK\$44.5 million of our net proceeds from the Global Offering will be designated to fund our working capital and other general corporate purposes; (j) our expansion plan will be delayed as a result of these conditions in the worst case scenario; (k) there will not be any further external or internal financing from banks or our Controlling Shareholders; and (l) no further dividend will be declared and paid by our Group during this worst case scenario.

The above scenario is for illustrative purposes only. Our Directors are of the view that the likelihood of the worst case scenario is extremely remote, taking into consideration that the PRC government's approach to the second regional outbreak of COVID-19 in Beijing, which has shown to be more effective and efficient as compared to the initial outbreak in Wuhan. To control the outbreak in Beijing, the PRC government has deployed more targeted measures. For example, entire groups were tested whenever an infection was found in their midst, including all the vendors at several major wet markets. Only affected apartment blocks and housing compounds close to the epicentre were locked down and only one member per household in high-risk areas was allowed to leave to purchase necessities. Our Directors confirmed that none of our project in progress located in Beijing were affected by the second COVID-19 outbreak.

As at the Latest Practicable Date, our Directors confirmed that (i) all of our 292 projects affected by the outbreak of the COVID-19 disease, including projects in progress suspended temporarily and projects on hand with delayed commencement dates, had been resumed; (ii) no projects were subject to further temporary suspension and/or delays after being resumed; (iii) we, as one of the many subcontractors of our customers, which are mainly state-owned enterprises acting as Special-tier and Tier-1 EPC contractors, were not held liable for any

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project delays under all of our existing contracts due to the COVID-19 outbreak; (iv) all of our employees and on-site staff and workers provided by third-party labour subcontractor providers had all resumed to duties and/or work, if necessary; and (v) we had maintained sufficient supply chain, including tower cranes and related parts, components and accessories, considering that all of our suppliers have also resumed work. Nevertheless, the actual impact of the possible future COVID-19 outbreaks to our Group may be out of our Directors' control and beyond our estimation and assessment. If the COVID-19 situation in the PRC continues for a prolonged period of time, it may materially affect our business, results of operation, financial performance and future prospects. Given that we have more than 13 years of experience and as one of the leading one-stop tower crane solution service providers in the PRC, our Directors will take prudent steps to ensure the business continuity of our Group despite the ongoing health and financial crises. We will also continue to work closely with our customers to ensure that the impact of any incidents experienced due to unforeseen circumstances is minimised to its fullest extent and implement our business contingency plans.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 30 June 2020 and there is no event since 30 June 2020 which would materially affect the information shown in the accountant's report in Appendix I to this prospectus.

DIVIDEND POLICY

In July 2017 and 2018 and August 2019, we declared dividends of approximately RMB3.2 million, RMB3.7 million and RMB7.9 million to our then equity holders, respectively. For the three years ended 31 March 2018, 2019 and 2020, we paid dividends of approximately RMB3.2 million, RMB0.1 million and RMB11.5 million to our then equity holders, respectively. On 23 June 2020 and 24 September 2020, our Board and our Shareholders further approved dividends of approximately RMB7.6 million to our equity holders. We expect to pay these dividends to our existing Shareholders using our own working capital before Listing, and as such, our unaudited pro forma adjusted net tangible assets per Share will decrease after this dividend payment. For further details of our unaudited pro forma adjusted net tangible assets per Share, please refer to the section headed "Financial Information – Unaudited pro forma adjusted net tangible assets" in this prospectus.

After Listing, we intend to declare and pay dividends of approximately 30% of our net profit every year to our future Shareholders. Nevertheless, the declaration, payment and the amount of dividends will still be subject to our discretion and will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Further, dividends may only be paid out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. Please refer to the section headed "Financial Information – Dividend policy" in this prospectus for more details.

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THE GLOBAL OFFERING

The Global Offering consists of:

- the offer of initially 37,272,000 Hong Kong Offer Shares for subscription by the public in Hong Kong, referred to in this prospectus as the Hong Kong Public Offering; and
- the offer of initially 335,448,000 International Offering Shares comprising 254,448,000 new Shares and 81,000,000 Sale Shares outside the United States in offshore transactions in reliance on Regulation S, including to professional and institutional investors in Hong Kong, referred to in this prospectus as the International Offering.

KEY OFFERING STATISTICS⁽¹⁾

	Based on an Offer Price of HK\$1.50 per Offer Share	Based on an Offer Price of HK\$1.96 per Offer Share
Market capitalisation of our Shares ⁽²⁾	HK\$1,750.3 million	HK\$2,287.1 million
Pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$1.32	HK\$1.43

Notes:

1. All statistics in this table assume the Over-allotment Option is not exercised;
2. The calculation of market capitalisation is based on 1,166,871,250 Shares expected to be in issue immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised at all); and
3. The pro forma adjusted net tangible asset value per Share does not take into account the effect of dividend of approximately RMB7.6 million declared subsequent to the Track Record Period, and is arrived at after the adjustments referred to the section headed “Financial Information – Unaudited pro forma adjusted net tangible assets” in and Appendix II to this prospectus and on the basis of 291,720,000 new Shares issued at the respective indicative Offer Prices of HK\$1.50 per Offer Share and HK\$1.96 per Offer Share following the Global Offering.

LISTING EXPENSES

For the year ended 31 March 2020 and three months ended 30 June 2020, we incurred listing expenses of approximately HK\$17.1 million and HK\$2.5 million, which was charged to our consolidated statements of comprehensive income for the same year or period, respectively, and approximately HK\$5.5 million and HK\$0.8 million was capitalised for the same year or period, respectively. We expect to further incur listing expenses (including underwriting commissions) of approximately HK\$33.9 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, under which approximately HK\$12.3 million is expected to be charged to our consolidated statements of comprehensive income and approximately HK\$21.6 million

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is expected to be capitalised. We expect that our total listing expenses will account for approximately 10.2% of the gross proceeds from the Global Offering, and had certain impact on our profit for the year ended 31 March 2020 and the three months ended 30 June 2020. Nevertheless, our listing expenses will not have any material impact on our future business and results of operations.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.73 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$1.96 per Offer Share) will be approximately HK\$444.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 63.0% or HK\$280.5 million of the net proceeds from the Global Offering to our Company, is expected to be used primarily to purchase tower cranes;
- approximately 5.3% or HK\$23.6 million of the net proceeds from the Global Offering to our Company, is expected to be used primarily to purchase equipment and conducting foundation work for our Yangzhou Refurbishment Centre;
- approximately 3.2% or HK\$14.2 million of the net proceeds from the Global Offering to our Company, is expected to be used primarily to hire additional personnel equipped with special skills to improve our service capacity and competitiveness;
- approximately 18.5% or HK\$82.1 million of the net proceeds from the Global Offering to our Company, is expected to be used primarily to repay part of our bank borrowings;
- approximately 10% or HK\$44.5 million of the net proceeds from the Global Offering to our Company, is expected to be used primarily to fund our working capital and other general corporate purposes;

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further information on our use of net proceeds of the Global Offering.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	White Application Form(s), Yellow Application Form(s) and Green Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on 15 December 2020 and which will come into effect upon Listing, a summary of which is set out in the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law – Articles of Association” in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Augusta Investments”	Augusta Investments Zero Pte. Ltd., a company incorporated under the laws of Singapore which is ultimately owned by limited partnership
“Beijing Tat Hong”	Beijing Tat Hong Zhaomao Equipment Rental Co., Ltd.* (北京達豐兆茂機械租賃有限公司), a company established under the laws of the PRC on 9 April 2009 with limited liability and a wholly-owned subsidiary of a Controlling Shareholder
“Board” or “Board of Directors”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Changzhou Tat Hong”	Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd.* (常州達豐兆茂機械工程有限公司), a company established under the laws of the PRC on 13 August 2013 with limited liability and an indirect wholly-owned subsidiary of our Company
“China Nuclear Industry”	China Nuclear Industry Huaxing Construction Company Ltd.* (中國核工業華興建設有限公司), formerly known as China Nuclear Industry Huaxing Construction Company* (中國核工業華興建設公司), a company established under the laws of the PRC on 29 July 1986 with limited liability and one of our Shareholders
“Chongqing Tat Hong”	Chongqing Tat Hong Machinery Construction Co., Ltd.* (重慶大峰建築工程機械有限公司), a company established under the laws of the PRC on 15 November 2017 with limited liability and an indirect wholly-owned subsidiary of our Company
“Chwee Cheng & Sons”	Chwee Cheng & Sons Pte Ltd, a company incorporated in Singapore on 22 January 1994 with limited liability, which is owned as to approximately 39.50% by Chwee Cheng Trust, 17.83% by Ng Chwee Cheng, 5.77% by Ng Sun Ho, 11.33% by Mr. Ng, 5.11% by Ng Sun Hoe, 6.44% by Ng Sang Kuey, 3.14% by Ng San Guan, 3.30% by Ng San Wee, 3.12% by Ng Sun Giam Roger, 3.29% by Ng Sun Eng and 1.17% by Ng Sun Oh and is one of our Controlling Shareholders
“Chwee Cheng Controlling Shareholder Group”	Mr. Ng, Ng Sun Ho, Ng San Wee and Ng Sun Giam Roger (as the trustees of the Chwee Cheng Trust), Ng Sun Ho, Mr. Ng, Ng Chwee Cheng, Ng Sun Hoe, Ng Sang Kuey, Ng San Guan, Ng San Wee, Ng Sun Giam Roger, Ng Sun Eng and Ng Sun Oh

DEFINITIONS

“Chwee Cheng Trust”	Chwee Cheng Trust, an irrevocable discretionary trust established by Mr. Ng’s father, with Mr. Ng and his family members as beneficiaries and Mr. Ng, Ng Sun Ho, Ng San Wee and Ng Sun Giam Roger as the joint trustees
“Companies Act” or “Cayman Companies Act”	the Companies Act, (as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Tat Hong Equipment Service Co., Ltd., an exempted company incorporated under the laws of Cayman Islands with limited liability on 26 August 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company refers to the Chwee Cheng Controlling Shareholder Group, Chwee Cheng & Sons, TH60 Investments, THSC Investments, Tat Hong Holdings, Tat Hong International, TH Straits 2015 and Tat Hong China
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“COVID-19”	the coronavirus pandemic, an ongoing global pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)
“cu.m”	cubic metre(s)

DEFINITIONS

“Deed of Indemnity”	a deed of indemnity dated 22 December 2020 entered into by our Controlling Shareholder(s) in favour of our Company, particulars of which are set out in the section headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	a deed of non-competition dated 22 December 2020 entered into between our Controlling Shareholder(s) and our Company, particulars of which are set out in the section headed “Relationship with Controlling Shareholders – Non-competition undertakings” in this prospectus
“Director(s)”	director(s) of our Company
“Dr. Huang”	Huang Chao-Jen (黃兆仁), our independent non-executive Director
“EIT”	the PRC Enterprise Income Tax (中華人民共和國企業所得稅)
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) promulgated by the National People’s Congress on 16 March 2007 and became effective on 1 January 2008 and last amended on 29 December 2018 by the SCNPC with effective on the same date
“EIT Regulation”	the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例), promulgated by the State Council on 6 December 2007 and effective from 1 January 2008, last amended on 23 April 2019 by the State Council and newly effective on the same date
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“GST”	Goods and Services Tax
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name through the designated website of HK eIPO White Form – www.hkeipo.hk or in the IPO App
“ HK eIPO White Form Service Provider ”	the HK eIPO White Form service provider designed by our Company, as specified on the designated website at www.hkeipo.hk or in the IPO App
“HK\$”, “HK dollars” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKAS”	Hong Kong Accounting Standards
“HKFRSs”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKIFRIC”	Hong Kong International Financial Reporting Interpretations Committee
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 37,272,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus

DEFINITIONS

“Hong Kong Public Offering”	the offer for subscription of Hong Kong Offer Shares to the public in Hong Kong (subject to adjustment as described in the section headed “Structure and Conditions of the Global Offering”) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 29 December 2020 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters
“Huaxing Tat Hong”	China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.* (中核華興達豐機械工程有限公司), formerly known as Jiangsu China Nuclear Huaxing Machinery Construction Co., Ltd.* (江蘇中核華興建築機械施工有限公司), a company established under the laws of the PRC on 24 June 2004 with limited liability and an indirect wholly-owned subsidiary of our Company
“independent third party(ies)”	an individual(s) or a company(ies) who or which/are not connected person(s) of our Company, any of its subsidiaries or any of their respective associates within the meaning of the Listing Rules
“Interim Measures for Financial Leasing Companies”	the Interim Measures for Supervision and Administration of the Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》) issued by China Banking and Insurance Regulatory Commission on 26 May 2020

DEFINITIONS

“International Offer Shares”	the 335,448,000 Offer Shares comprising 254,448,000 new Shares and 81,000,000 Sale Shares, being initially offered by our Company and the Selling Shareholder pursuant to the International Offering, together with any additional Shares offered pursuant to any exercise of the Over-allotment Option, subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Offering”	the offer of International Offer Shares to as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the underwriters of the International Offering and parties to the International Underwriting Agreement as described in the section headed “Underwriting – International Offering” in the prospectus
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering, which is expected to be entered into by, among other parties, our Company, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters on or around 5 January 2021
“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“iSmartCon”	our in-house developed open platform mobile application which enhances information management and improves operational efficiency, details of which are set out in the section headed “Business – Information Systems – iSmartCon” in this prospectus
“Jiangsu Hengxingmao”	Jiangsu Hengxingmao Financial Leasing Co., Ltd.* (江蘇恒興茂融資租賃有限公司), a company established under the laws of the PRC on 14 July 2010 with limited liability and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Joint Bookrunners”	Fortune (HK) Securities Limited, CCB International Capital Limited, Zhongtai International Securities Limited, SPDB International Capital Limited, Valuable Capital Limited, China Everbright Securities (HK) Limited, Huabang Securities Limited, China Industrial Securities International Capital Limited and Crosby Securities Limited, being the joint bookrunners of the Global Offering
“Joint Global Coordinators”	Fortune (HK) Securities Limited and CCB International Capital Limited, being the joint global coordinators, joint bookrunners and joint lead managers of the Global Offering
“Joint Lead Managers”	Fortune (HK) Securities Limited, CCB International Capital Limited, Zhongtai International Securities Limited, SPDB International Capital Limited, Valuable Capital Limited, China Everbright Securities (HK) Limited, Huabang Securities Limited, China Industrial Securities International Capital Limited, Crosby Securities Limited, China Tonghai Securities Limited, TUS Corporate Finance Limited, uSmart Securities Limited, Zhong Jia Securities Limited and Blackwell Global Securities Limited, being the joint lead managers of the Global Offering
“Latest Practicable Date”	20 December 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date expected to be on or about 13 January 2021, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LNG”	liquefied natural gas

DEFINITIONS

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company, a summary of which is set out in Appendix III to this prospectus
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHURD”	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部)
“Mr. Chen”	Chen Baozhi (陳寶智), our non-executive Director
“Mr. Henry Lin”	Lin Han-wei (林翰威), our executive Director and chief operating officer of our Group
“Mr. Ng”	Ng San Tiong (黃山忠), our non-executive Director and chairman of our Board, and one of our Controlling Shareholders
“Mr. Sean Yau”	Yau Kok San (邱國燊), our executive Director and chief executive officer of our Group
“Mr. Sun”	Sun Zhaolin (孫兆林), our non-executive Director
“Mr. Wan”	Wan Kum Tho (尹金濤), our independent non-executive Director
“Ms. Pan”	Pan I-Shan (潘宜珊), our independent non-executive Director
“Nomination Committee”	the nomination committee of our Board
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NT\$”	New Taiwan dollar(s), the lawful currency of Taiwan

DEFINITIONS

“Offer Price”	the final price per Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) of no more than HK\$1.96 at which the Offer Shares are to be subscribed for and issued pursuant to the Global Offering, to be determined as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares issued pursuant to the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 55,908,000 additional Shares at the Offer Price, representing approximately 15% of total number of Offer Shares initially available under the Global Offering, to cover, among other things, over-allocation in the International Offering, if any
“PRC” or “China”	People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Yuan Tai Law Offices, the legal advisers to our Company as to PRC law
“Price Determination Agreement”	the agreement expected to be entered into among our Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or around Tuesday, 5 January 2021 but no later than Friday, 8 January 2021, on which the Offer Price is to be fixed by agreement between our Company, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) for the purposes of the Global Offering

DEFINITIONS

“Private Group”	the companies which are under the control of (or 50% or more of the issued share capital of which are owned by) the Ultimate Controlling Shareholders collectively or individually except for their interest in our Group
“provinces”	include provinces, autonomous regions and municipalities under the direct administration of the central government of the PRC
“Remuneration Committee”	the remuneration committee of our Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Ronghe Tat Hong”	Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd.* (江蘇融合達豐機械工程有限公司), a company established under the laws of the PRC on 9 January 2019 with limited liability and an indirect wholly-owned subsidiary of our Company
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sale Shares”	the 81,000,000 Shares to be offered by the Selling Shareholder for sale at the Offer Price under the International Offering
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	the Standing Committee of the NPC (全國人民代表大會常務委員會)
“Selling Shareholder”	Tat Hong China, being a Controlling Shareholder, which offers 81,000,000 Shares for sale in the International Offering
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“SGD” or “Singapore dollars”	Singapore dollar(s), the lawful currency of Singapore
“SGX”	Singapore Exchange Limited
“Shanghai Tat Hong”	Shanghai Tat Hong Construction Services Co., Ltd.* (上海達豐建築服務有限公司), formerly known as Shanghai Tat Hong Equipment Rental Co., Ltd.* (上海達豐機械租賃有限公司), a company established under the laws of the PRC on 13 June 2006 with limited liability and an indirect wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) of US\$0.08 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 15 December 2020, the principal terms of which are summarised under the paragraphs headed “D. Share Option Scheme – 1. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of our Share(s)
“Singapore”	The Republic of Singapore
“Sole Sponsor”	Fortune Financial Capital Limited (富強金融資本有限公司)
“sq.m.”	square metre(s)
“Stabilising Manager”	Fortune (HK) Securities Limited, being a Joint Global Coordinator
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilising Manager and Tat Hong China on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Sunfield Investment”	Sunfield Investment Pte. Ltd., a company incorporated under the laws of Singapore on 1 October 2011 and one of our Shareholders
“Taiwan”	The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu
“Takeovers Code”	the Codes on Takeovers and Mergers of Hong Kong
“Tat Hong Belt Road”	Tat Hong Belt Road Pte. Ltd., a company incorporated under the laws of Singapore on 21 August 2017 and a direct wholly-owned subsidiary of our Company
“Tat Hong China”	Tat Hong Equipment (China) Pte. Ltd., a company incorporated under the laws of Singapore on 10 May 2007, which is owned as to 88.4% by Tat Hong International and 11.6% by Yongmao, and one of the Controlling Shareholders of our Company
“Tat Hong Holdings”	Tat Hong Holdings Ltd, a company incorporated under the laws of Singapore on 25 October 1991, which is wholly owned by THSC Investments, and one of our Controlling Shareholders
“Tat Hong International”	Tat Hong International Pte Ltd, a company incorporated under the laws of Singapore on 25 October 1991, which is wholly owned by Tat Hong Holdings, and one of our Controlling Shareholders
“Tat Hong Zhaomao”	Tat Hong Zhaomao Investment Group Co., Ltd.* (達豐兆茂投資集團有限公司), formerly known as Tat Hong Zhaomao Investment Co., Ltd.* (達豐兆茂投資有限公司), a company established under the laws of the PRC on 23 April 2010 with limited liability and a direct wholly-owned subsidiary of our Company
“TH60 Investments”	TH60 Investments Pte. Ltd., a company incorporated under the laws of Singapore on 17 November 2017, which is wholly owned by Chwee Cheng & Sons and one of our Controlling Shareholders
“TH Straits 2015”	TH Straits 2015 Pte. Ltd., a company incorporated under the laws of Singapore on 27 July 2015 which is wholly owned by Tat Hong China, and one of our Controlling Shareholders

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“THSC Investments”	THSC Investments Pte. Ltd., a company incorporated under the laws of Singapore on 11 December 2017, which is owned as to approximately 70.8% by TH60 Investments and approximately 29.2% by Augusta Investments, and one of our Controlling Shareholders
“TM”	tonne metre(s)
“Track Record Period”	the three financial years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020
“U.S. dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Ultimate Controlling Shareholder”	collectively, Chwee Cheng Trust, Ng Sun Ho, Mr. Ng, Ng Chwee Cheng, Ng Sun Hoe, Ng Sang Kuey, Ng San Guan, Ng San Wee, Ng Sun Giam Roger, Ng Sun Eng, Ng Sun Oh, Chwee Cheng & Sons and TH60 Investments
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“White Application Form(s)”	the application form(s) to be completed in accordance with the instructions in section headed “How to Apply for Hong Kong Offer Shares – Applying for Hong Kong Offer Shares – Which application channel to use” in this prospectus
“Yangzhou Refurbishment Centre”	our refurbishment centre located at 1 Zhongyuan Road, Yangzhou Chemical Industrial Park, Jiangsu province, the PRC, details of which are set out in the section headed “Business – Our tower crane yards and Yangzhou Refurbishment Centre – Our Yangzhou Refurbishment Centre” in this prospectus

DEFINITIONS

“Yellow Application Form(s)”	the application form(s) to be completed in accordance with the instructions in section headed “How to Apply for Hong Kong Offer Shares – Applying for Hong Kong Offer Shares – Which application channel to use” in this prospectus
“Yongmao”	Yongmao Holdings Limited, a public company established in Singapore on 3 August 2005 and listed on the Main Board of SGX (SGX: BKX)
“Yongmao Group”	Yongmao and its subsidiaries
“Zhongjian Tat Hong”	Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd.* (江蘇中建達豐機械工程有限公司), formerly known as Jiangsu Zhenghe Tat Hong Machinery Rental Co., Ltd.* (江蘇正和達豐機械租賃有限公司) and Jiangsu Zhongjian Tat Hong Machinery Rental Co., Ltd.* (江蘇中建達豐機械租賃有限公司), a company established under the laws of the PRC on 4 July 2007 with limited liability and an indirect wholly-owned subsidiary of our Company
“%”	per cent

All dates and times refer to Hong Kong dates and time.

Unless otherwise specified, certain amounts denominated in HK\$ have been translated, for the purpose of illustration only, into RMB or USD or SGD, and vice versa, in this prospectus at the rates of RMB1.00 to HK\$1.094, US\$1.00 to HK\$7.750 and SGD1.00 to HK\$5.571. No representation is made that any amounts in RMB, HK\$, USD and SGD can be or could have been at the relevant date converted at the above rate or any other rates or at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be as arithmetic aggregation of the figures receding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” are for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meanings or usage of these terms.

“dry lease”	lease of tower cranes without provision of any further services
“EPC”	engineering, procurement and construction
“LEAP system”	leasing equipment administration platform system
“luffing jib tower crane”	a tower crane model known for high flexibility and its ability to operate in narrow spaces, commonly used in constructions of commercial properties in city centres
“Special-tier EPC contractor”	contractor with net asset above RMB600 million and qualified to service EPC projects of all sizes
“Special-tier EPC projects”	EPC projects contracted to Special-tier EPC contractors
“Tier-1 EPC contractor”	contractors with net asset above RMB100 million and whom are qualified to undertake (i) industrial and civil construction projects below 200 metres in height; and (ii) structural engineering with less than 240 metres in height
“Tier-1 EPC projects”	EPC projects contracted to Tier-1 EPC contractors
“TOP”	Tat Hong Operation Platform
“topkit tower crane”	a tower crane model that is most commonly-used in the industry, suitable for a wide range of applications
“topless tower crane”	a tower crane model renowned for its cost-effective, commonly used in energy-related projects

FORWARD-LOOKING STATEMENTS

In this prospectus, statements of or references to our intentions or that of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant known or unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- macroeconomic measures taken by the PRC government to manage economic growth;
- our projects in progress and projects on hand;
- our operations and business prospects, including development plans for our existing and/or new businesses;
- future developments and competitive environment in the PRC in which we primarily operate;
- the regulatory environment and industry outlook in general for the industry discussed herein;
- general political, economic, legal and social conditions in the PRC and/or the other markets in which we operate;
- our future debt levels;
- our capital commitment plans, particularly, plans related to purchases of tower cranes and related equipment and potential investment for expansion;
- cost, fluctuations in the price and availability of tower cranes and related parts, components and accessories;
- our financial condition and performance;
- the competitive markets for our tower crane services and the actions and developments of our competitors;

FORWARD-LOOKING STATEMENTS

- risk management;
- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC;
- our dividend plans;
- other statements in this prospectus that are not historical fact; and
- other factors beyond our control.

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The Global Offering and the investment in our Shares involve certain risks. You should carefully consider all the information set out in this prospectus, including, but not limited to, the risks and uncertainties described in the following risk factors when considering making an investment in our Shares being offered in the Global Offering. Our operations involve certain risks, many of which are beyond our control. You should also pay particular attention to the fact that although we are a company incorporated in the Cayman Islands, and our business is mainly located in the PRC, and we are governed by a legal and regulatory environment that may differ from that which prevails in other countries and jurisdictions. Our business, results of operations and financial condition may be adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of these risks and uncertainties and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

Our performance is dependent on the development of the construction and tower crane service industries in the PRC, which in turn, largely depend on the general economic conditions and government policies

We derived all of our revenue from the provision of one-stop tower crane solution services in the PRC during the Track Record Period. We believe that the demand for our tower crane services is closely related to the level of government spending on urbanisation and infrastructure in the PRC, which in turn, largely depends on the PRC general economic conditions and government policies. Further, as most of our customers during the Track Record Period are Chinese Special-tier and Tier-1 EPC contractors, which are mainly Chinese state-owned enterprises and public companies, any changes in the PRC economy and/or government policies in the construction and/or tower crane service industries will affect the number and/or value of tower crane service projects of our customers in the PRC, which may correspondingly reduce the demand for our work and services.

We cannot assure you that there will not be any adverse change in the government spending or policies towards the construction industry. If these happen, the PRC tower crane service industry which we operate in will be materially and adversely affected, which in turn, will affect the number and/or value of the tower crane service projects in the PRC and correspondingly reduce the demand for our tower crane work and/or services.

We derived a significant portion of our revenue from our major customers during the Track Record Period, failure to maintain our business relationship with or secure new business from these major customers may materially and adversely affect our business, results of operations and financial condition

Our customers primarily comprise Chinese Special-tier and Tier-1 EPC contractors in the PRC, which are mainly Chinese state-owned enterprises and public companies. As is customary in the industry in which we operate, we generally do not enter into long-term or framework agreements with our customers but are engaged by them on a project-by-project basis. Our revenue and the number of projects that we are able to secure may vary from period to period and it is difficult to forecast the volume of our business in the future accurately.

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For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our revenue derived from our top five customers accounted for approximately 73.9%, 74.7%, 83.3% and 88.7% of our total revenue for the same period, respectively. We expect that we will continue to derive a significant portion of our revenue from our top five customers. Our existing customers are not obligated to award projects to us and there is no assurance that our top five customers and our other major customers will continue to provide us with new business in the future. Upon the completion of our projects on hand, in the event that we do not have sufficient new projects awarded to us or has not commenced work for any of our existing projects, our business operation and financial condition may be adversely and materially affected.

Our ability to compete for projects largely depends on the availability of our tower cranes, and failure to accurately plan the future deployment of tower cranes or purchase or rent the necessary tower cranes in a timely manner may materially and adversely affect our business, results of operations and financial condition

Our capacity to provide tower crane services to our customers largely depends on the availability of our tower cranes. As at the Latest Practicable Date, we owned a fleet of 1,008 tower cranes. If the total amount of tower cranes required for the projects we take up or are seeking to take up is more than the total amount of our available tower cranes, we may need to rent or purchase tower cranes from third-party suppliers which may result in higher project costs, which will consequently affect our profit margins. We cannot guarantee that our tower crane deployment plans will always be accurate and our tower cranes will always be available for our operations and project deployment in the future. We also cannot assure you that we will be able to rent or purchase the necessary tower cranes to take on certain projects in an effectively and timely manner, or on commercially acceptable terms to us, or at all. Moreover, our tower cranes may succumb to breakdowns and the cost of repair, maintenance and refurbishment or even replacement may result in the increase of our project costs and delays. If any of the above events occurs frequently during our business operations, it may harm our reputation and reduce the chances of securing new projects from our existing customers recurringly and as a result, our business, results of operations and financial condition may be materially and adversely affected.

Our business operates under various permits, licences, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licences, approvals and/or qualifications may materially and adversely affect our business, results of operations and financial condition

We are subject to extensive PRC laws and regulations at the national and local level, which govern various aspects of our operations. For further information, please refer to the sections headed “Regulatory Overview” and “Business – Licences, permits and qualifications” in this prospectus. These operating permits, licences and/or qualifications are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments or organisations. Such criteria may include but not limited to the maintenance of a sufficient project track record, maintenance of sufficient number of qualified personnel and compliance with safety regulations and environment

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protection regulations. We are also required to obtain approvals for our deployment of tower cranes, owned or rented, with the local government prior to our project commencement. These permits, licences, approvals and/or qualifications may only be valid for a limited period of time and may be subject to periodic review and renewal by government authorities or relevant organisations. In addition, the standards of compliance required in relation thereto may change from time to time.

Further, we cannot guarantee that our internal control measures will always be sufficient and effective. Extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our competitiveness. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose us to the risk of non-compliance. If deemed non-compliant, we could be subjected to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, permits or qualifications, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the PRC legal system and construction industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations.

An outbreak of epidemics or pandemics, such as the COVID-19 disease, H1N1 influenza, avian flu or SARS, may materially and adversely affect our business, results of operation and financial condition

Past occurrences of epidemics or pandemics, depending on their scale of occurrence, have caused different degrees of damage to the economy in the PRC. For example, PRC and Hong Kong encountered an outbreak of severe acute respiratory syndrome (SARS), a highly contagious form of atypical pneumonia in 2003. Human infected cases of influenza A (H7N9) were also discovered in the PRC and Hong Kong in 2013 and 2014.

We face risks related to the outbreak of the COVID-19 disease. The outbreak of the COVID-19 disease in January 2020 has prompted the Chinese government to effectively quarantine Wuhan city and much of the surrounding regions in Hubei province, and to bar people from moving around from cities to cities, as well as to prolong the Chinese New Year holiday. The continuous outbreak of the COVID-19 disease had resulted in temporary closure of our business and delay of our projects during the late January to April 2020. As a consequence, we also experienced relatively higher average turnover days of trade receivables and contract assets, average turnover days of trade receivables, bills receivables and contract assets, and cash conversion cycle for the year ended 31 March 2020 and the three months ended 30 June 2020, primarily the result that the outbreak of COVID-19 disease had also caused certain temporary business disruption and slowed down the payment process of our customers, majority of which are state-owned enterprises. There is no guarantee that the current or possible future outbreak of the COVID-19 disease will be under control nor is there guarantee that our business operation will not be affected by the situation. Ongoing concerns regarding epidemic or contagious diseases and government advices related to, or restrictions on, travel to and from regions within the PRC on account of the outbreak of the COVID-19 disease or

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any epidemic or contagious diseases may significantly impact our business operation as our projects and our tower crane yards are located across the PRC. The continuous outbreak of the COVID-19 disease or the outbreak of any other epidemics or pandemics in the future may also result in temporary closure of our business and delay of our projects and/or the sickness or death of our employees. In addition, if any of our employees are affected by the COVID-19 disease or the outbreak of any other epidemic disease, we may be required to quarantine the employees who are suspected of becoming infected, as well as others who have come into contact with those employees to prevent the spread of the disease. We may also be required to disinfect our affected premises, which will cause a temporary suspension of our service capacity and thus adversely affect our operations. In such event, if we are not able to react quickly upon the occurrence of such extraordinary event and our operations are disrupted significantly, and the insurance policies we maintain are unable to cover all the losses, our business, results of operations and financial condition will be materially and adversely affected.

Our success is dependent upon our key management personnel and our failure to attract and retain or secure senior management and qualified personnel may materially or adversely affect our business, results of operations and financial condition which could hinder our continuing growth and success

Our experienced senior management team comprises industry experts with extensive experience in the tower crane service industry for more than 10 years. Our success depends heavily on our ability to attract, retain and motivate our senior management team members who possess managerial experience in the tower crane service industry and also have established solid business relationship with our customers, suppliers and subcontractors to lead and manage our Group. If one or more of these personnel are unable or unwilling to continue in their present positions, we may not be able to recruit suitable and qualified new personnel to replace them, which may materially and adversely affect our business, results of operations and financial condition.

Further, our success also depends, to a significant extent, on the services and efforts of our senior management to continue to attract, retain and motivate key personnel. We are subject to intense competition with other regional and national tower crane service companies in the PRC for experienced management and qualified personnel. There is no assurance that we will be able to continue to attract and retain the qualified personnel whom are essential for our growth. The loss of services of any personnel holding important positions or possessing industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material and adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected. For further information on our senior management, please refer to the section headed “Directors and Senior Management” in this prospectus.

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Our business is subject to significant operating risks and hazards that could result in monetary damages, personal injuries and/or death which could cause us to incur substantial costs and/or liabilities to damages and may materially and adversely affect our business and financial condition

Our business and operations are generally subject to a number of risks and hazards, including, among others, those relating to operational safety and operations under difficult geological conditions. During the Track Record Period, we had encountered one accident in January 2018 that resulted in the death of a worker. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our workplace injury rates were approximately 0.7%, 0.6%, 0.5% and 0.04%, respectively, and our fatality rates were approximately 0.03%, nil, 0.03% and nil, respectively. For further information on the accident in 2018, please refer to the section headed “Business – Health and safety control” in this prospectus. Furthermore, our tower crane service business is exposed to various environmental hazards, including extreme cold weather, typhoons and thunderstorms during monsoon season. These risks may result in delay of projects, destruction of tower cranes, and may also result in personal injury, environmental damage, monetary losses and even legal liability. In addition, unexpected hazards and serious incidents may tarnish our good safety record which may adversely affect our reputation in the industry and damage our business relationship with our customers. All these risks above may materially and adversely affect our business, results of operations and financial condition.

We rely on a number of key suppliers to supply tower cranes and related parts, components and accessories during the Track Record Period, in particular, Yongmao Group, which is our largest supplier and connected person

During the Track Record Period, we had purchased tower cranes and related parts and components and also rented tower cranes from Yongmao Group, which was our largest supplier during the Track Record Period and our connected person. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our total purchases and rental from Yongmao Group amounted to approximately RMB44.8 million, RMB44.9 million, RMB72.0 million and RMB8.8 million, respectively, representing approximately 53.7%, 39.2%, 44.2% and 19.4% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the same period, respectively. Please refer to the sections headed “Business – Our procurement and rental – Our business arrangement with Yongmao Group” and “Connected Transactions – Non-exempt continuing connected transactions – Yongmao Master Agreement” in this prospectus for further information.

Our business to some extent relies on Yongmao’s brand recognition and reputation in the tower crane service and construction industry, as we are known for supplying majority of Yongmao’s tower cranes to our customers. There is no assurance that Yongmao will maintain the strength of its brand recognition and that the tower cranes Yongmao supplied will keep generating stable profits for us on a continuous basis. Any detriment to its reputation or any adverse impacts on its business and financial performance would in turn materially and adversely affect our business operations and results of operation.

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In addition, Yongmao, as a public company listed on the Main Board of SGX (SGX:BKX) publishes announcements, financial statements, financial reports or any other publications (“**Yongmao’s Publications**”), which may include certain financial information of its aggregate sales to our Group, as Yongmao’s related party, prepared in accordance with Singapore Financial Reporting Standards International from time to time. In this connection, we noted that there were discrepancies in the transaction amount between our Group and Yongmao Group as disclosed in this prospectus and that of in the Yongmao’s Publications, under which our purchases and/or rental of tower cranes and related parts and components from Yongmao Group disclosed in this prospectus amounted to approximately RMB44.8 million, RMB44.9 million and RMB72.0 million for the three years ended 31 March 2018, 2019 and 2020, respectively, and Yongmao Group’s sales to our Group as disclosed in the Yongmao’s Publications amounted to approximately RMB52.0 million, RMB51.0 million and RMB62.3 million for the same period, respectively (the “**Discrepancy**”). Based on the reconciliation with Yongmao Group, we understood that the Discrepancy was primarily related to (i) the different accounting treatment of Yongmao Group in relation to the return of a batch of tower cranes by its customer(s) to Yongmao Group and subsequently re-sale of this batch of second-hand tower cranes by Yongmao Group to us during the financial year ended 31 March 2018, where Yongmao simplified its revenue recognition by netting off the reversal of sales revenue; and (ii) the difference in amount resulting from the different cut-off time of recording for sales/purchases of tower cranes and related parts and components, and the rental income/expenses for the rental of tower cranes and related parts and components by Yongmao Group/us in different financial years in Yongmao’s accounts and our accounts. After Listing, there may continue to be discrepancy in the transaction amount between our Group and Yongmao Group as disclosed in our Company’s announcements, interim reports, annual reports or any other publications and that of in the Yongmao’s Publications. As our Company does not endorse or participate in the preparation and disclosure of any Yongmao’s Publications, our Company does not accept any responsibility for any such information in Yongmao’s Publications. Our Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. If any such information appearing in publications other than this prospectus and the documents issued by our Company is inconsistent or conflicts with the information in this prospectus, our Company disclaims it. Accordingly, you should only rely on the information included in this prospectus and documents issued by our Company to make your investment decision and should not rely on any other information.

If we fail to estimate our costs accurately or fail to execute projects within our cost estimates and/or unable to perform our work at an acceptable profit margin, our business, results of operations and financial condition may be materially and adversely affected

We prepare our tenders based on (i) the complexity and scale of the project; (ii) the models, height, the maximum lifting capacities and quantities of the tower cranes to be deployed; (iii) the research and development need to be conducted and the specific technical solutions need to be provided; (iv) the labour (including labour subcontracting) and transportation costs; (v) the sequence of deployment of tower cranes and project duration; (vi) the geographical location and seasonal and weather conditions of the project sites; (vii) the obstacles in conducting tower crane services in the designated areas including erection and dismantling; and (viii) the contractual risks. The variation in the size of projects that we can

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secure may affect our allocation of resources and business performance. In the event that we fail to allocate our resources efficiently or effectively, or should there be any cost underestimates, we may suffer losses. Our tenders may carry inherent risks, including losses due to underestimating costs and unpredictable complexity experienced onsite in operating projects and other circumstances or incidents that may occur during the period that may cause the project costs to increase unexpectedly.

We are subject to extensive safety and health regulations, the requirement to comply with which may be difficult or expensive and may materially and adversely affect our business, results of operations and financial condition

Under relevant laws and regulations of the PRC, there are certain health and safety requirements that we are required to fulfil. Any failure to comply with these regulations may lead to penalties, fines, suspension of relevant licences or permits to conduct business, and litigation, which may adversely affect our business operations and financial condition. Given the magnitude and complexity of these regulations, compliance with them may be difficult or may involve a significant amount of financial and other resources. As these laws and regulations continue to evolve, there can be no assurance that the PRC government will not impose additional or stricter laws or regulations, the requirement to comply with which may prevent us from operating in such jurisdictions or lead to increased project costs that we may not be able to pass on to our customers. As such, the requirement to comply with certain health and safety requirements may materially and adversely affect our business, results of operations and financial condition.

Our insurance policies may not be adequate to cover all risks of loss associated with our business operations

We purchase and maintain insurance policies in accordance with the needs of our business and the requirements set forth in relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had maintained employer liability insurance, and construction machinery and equipment comprehensive insurance. However, we cannot guarantee that our insurance policies will provide adequate coverage for all of the risks we face in connection with our business operations.

Consistent with customary practice in China, we do not carry any business interruption or litigation insurance policies for our operations in China. If we were to incur substantial liabilities that are not covered by our insurance policies or if we suffer protracted periods of disruption or interruption in our business operations, we could incur significant costs and losses that could materially and adversely affect our results of operations. In addition, due to general increases in medical costs and wages, our insurance premiums may increase in the future and we may not be able to obtain similar insurance coverage at acceptable and reasonable rates. Moreover, the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents, may not be covered adequately, or at all, by our insurance policies. Any uninsured loss or liabilities may cause us to incur substantial costs and the diversion of resources, which could have a material and adverse effect on our operating results.

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We may be involved in claims and are subject to litigation risks and our business, results of operations and financial condition may be materially and adversely affected

In the ordinary course of business, claims involving our customers, suppliers and labour subcontractors may be brought against us and by us in connection with our contracts. Claims may be brought against us for alleged defective services, related personal injuries and death, damage to or destruction of materials or property, payment disputes and project delays. The claims may involve actual damages and/or contractually agreed liquidated sums. If we were found to be liable to any of the claims against us, we would have to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against main contractors and subcontractors of our projects may include severely delayed payments for work done and insurance claims. Claims between us and our subcontractors and suppliers may include claims similar to those described above.

Claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realised from claims by us may differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project contract. Charges associated with claims brought against us and write downs associated with claims brought by us may materially and adversely affect our business, results of operations and financial condition.

If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers may develop negative views of the safety and quality of our services, which may negatively affect our ability to maintain solid relationships with our customers, engage new customers and expand into new markets. We cannot assure you that we will not be subject to future liability claims or that if any such claims were successful, and our business prospects, results of operations and reputation would not be materially and adversely affected.

Our customers pay us by way of monthly invoices and residual money, and any delay in monthly payments or release of residual money may affect our working capital and cash flow

We generally recognise our revenue from the provision our tower crane solution services every month, which generally include 70% to 80% of the total settlement value of the services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates vary from project to project and are also typically specified in the contracts. Our customers shall arrange payment in accordance with the payment amount in our issued monthly invoice within a specified period of time according to the terms specified in the contracts. Our customers typically withhold approximately 20% to 30% of each month's total settlement value as residual money. The accumulated sum of these residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from project sites. As at 31 March

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2018, 2019 and 2020 and 30 June 2020, we recorded trade receivables of approximately RMB228.5 million, RMB267.4 million, RMB361.9 million and RMB420.8 million, respectively, and contract assets (current portion) of approximately RMB88.0 million, RMB166.9 million, RMB207.0 million and RMB241.4 million, respectively. In the event that our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected. Delays in monthly settlement payments or release of residual money may also increase working capital needs.

Further, for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our average turnover days of our trade receivables and contract assets were approximately 240 days, 234 days, 258 days and 285 days, respectively. We recorded a relatively longer average turnover days of trade receivables and contract assets during the Track Record Period, primarily the result that the majority of our customers are Chinese state-owned enterprises, payment approval of which are typically complicated and time consuming. As at Latest Practicable Date, approximately RMB211.2 million or approximately 31.5% of our trade receivables and contract assets as at 30 June 2020 had been settled. For more details, please refer to the section headed “Financial Information – Certain items of combined statements of financial position – Contract assets” and “– Trade receivables” in this prospectus.

We are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt monthly payments and release of residual monies due to us. While we will monitor material overdue payments closely, we cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms or at all. In other cases, we may take longer than our average turnover days of trade receivables to collect payments. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we recorded net impairment losses on financial assets, which were related to our trade receivables, and contract assets of approximately RMB1.6 million, RMB1.3 million, RMB5.5 million and RMB0.9 million, respectively. Any material delay in payment or non-payment by our customers will materially and adversely affect our business, results of operations and financial condition.

Our future gross profit and gross profit margin largely depend on our projects on hand and our ability to secure future sizeable and profitable projects, and failure to secure these projects may materially and adversely affect our business, results of operations and financial condition

Our ability to compete for and secure sizeable and profitable projects is one of the main contributors to our success as well as ongoing growth and future profitability. We conduct our one-stop tower crane solution services on a project-by-project basis and our customers may vary from year to year. Further, for projects that we engage in, we typically negotiate the unit price of each of our service items to be provided under a project, which are agreed by our customers and specified in the service contracts. As such, we may record different gross profit margin for projects in different financial year which, to a large extent, depends on the number, model and size of the tower cranes we use and whether we use self-owned or rented tower

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cranes in our projects. As at 30 June 2020, we had in total 29 projects on hand located in the PRC with a total expected contract value of approximately RMB130.9 million. In the event that we are not able to secure new sizeable and profitable projects or cannot commence any of our projects on hand upon the completion of our existing projects, our business, results of operations and financial condition may be materially and adversely affected.

There is uncertainty in accounting estimation for our fair value changes for financial liabilities at fair value through profit or loss and financial assets at other comprehensive income as the valuation of such requires significant observable and unobservable inputs separately, and any fair value changes of financial assets or liabilities may affect our financial performance

Our cross currency swap, which was not traded in an active market, was classified as Level 2 financial liabilities at fair value through profit or loss under HKFRS 9, being the inputs other than quoted prices (unadjusted) in active markets for identical assets that are observable for the asset, either directly (as prices) or indirectly (derived from prices). The fair value of such cross currency swap is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. As at 31 March 2018, we recorded financial liabilities at fair value through profit or loss of RMB97,000, arising from our cross currency swap with notional principal of approximately SGD3.8 million. Our commercial and bank acceptance bills were classified as Level 3 financial assets at fair value through other comprehensive income under HKFRS 9, being the inputs for the asset that are not based on observable market data (i.e. unobservable inputs) and are held for collection of contractual cash flow and for selling the financial assets. The fair values are estimated by using a discounted cash flow approach with discount rates quoted in main state-owned bank. As at 31 March 2018, 2019 and 2020 and 30 June 2020, we recorded financial assets at fair value through other comprehensive income of approximately RMB16.7 million, RMB9.0 million, RMB11.1 million and RMB12.5 million, respectively. For more details, please refer to note 3.3 and note 21 in the accountant's report in Appendix I to this prospectus.

We are subject to the risk of fair value changes as to our financial liabilities at fair value through profit and loss and financial assets at other comprehensive income in the future recorded during the Track Record Period were at best assumptions and estimations. Further, if there are any significant negative fair value changes for financial liabilities at fair value through profit and loss and financial assets at other comprehensive income, our financial performance would materially and adversely affected.

We are subject to several credit risks which may materially and adversely impact our Group in the future

We are exposed to credit risks in relation to our cash and cash equivalents, trade and other receivables, contract assets and financial assets at fair value through other comprehensive income. The carrying amounts of our trade and other receivables and cash and cash equivalents represent our Group's maximum exposure to credit risk in relation to financial assets. Credit risk on our trade debtors is managed by the management of our subsidiaries and monitored by our management on a group basis. Whilst the majority of our customers are sizable and

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renowned Chinese state-owned enterprises, our management assesses the credit quality of our smaller customers by considering their financial position, past experience therewith and other relevant factors. For more details, please refer to note 3.1 of the accountant's report in Appendix I to this prospectus.

Whilst we regularly monitor the utilisation of our credit limits, there is no guarantee that our risk management policies are comprehensive enough to tackle credit risk related issues whenever they arise. Should there be any credit risk related issues and we are unable to solve the issues in time, our business, results of operations and financial condition would be materially and adversely affected.

Significant competition in our operating market can reduce our market share and may materially and adversely affect our business, results of operations and financial condition

We face significant competition in the tower crane service industries in the PRC. Our competition mainly comes from other tower crane service providers that target service provisions to Special-tier and Tier-1 EPC contractors in the PRC. Some of them may have advantages over us in terms of capacity, access to capital, operational and managerial expertise, pricing or customer contacts. New players may also enter into the industry if they possess relevant experience, advanced skills and/or technologies, relationship with EPC contractors and sufficient tower cranes and capital, according to Frost & Sullivan. If there is an increase in the number of competitors in the industry without a corresponding increase in tower crane service projects, competition within the tower crane service industry would intensify.

Further, with intensified competition, there can be no assurance that our current or potential competitors will not conduct work or offer services comparable or superior to those that we conduct or offer at the same or lower prices or that our current or potential competitors will not adapt more quickly than we do to evolving industry trends and changing market conditions. We may lose our customers to our old and new competitors if, among other things, we fail to keep our prices down or fail to enhance our efficiency and upgrade our tower crane service technologies. Increased competition may result in price reductions, reduction of profit and loss of our market share. If this happens, our business, results of operations and financial condition may be materially and adversely affected.

Any project disruption and/or delay may affect arranged deployment of tower cranes for our future projects, which will undermine our business reputation

We strategically plan our projects around six months ahead as our Directors believe that this approach can help with estimating the number and models of our tower cranes for future deployment and maximising the utilisation rate of our tower cranes. We may rely on the same tower cranes for deployment in several projects with different and non-overlapping project periods. If there is any delay caused, which may be caused by us or by our customers or by other subcontractors in the same project site, it will cause challenge to our business operation. Delay in one project may have an impact on another project lined up for the deployment of same tower cranes, which essentially affect our arranged deployment of tower cranes for our future projects, and may significantly undermine our business reputation and materially and adversely affect our business, results of operations and financial condition in the long run.

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Labour shortages, increase in labour costs and potential industrial actions, such as labour disputes or strikes, may materially and adversely affect our business, results of operation and financial condition

Our future growth and expansion will depend on our ability to continue to employ qualified personnel at a rate consistent with the growth of our business. There is no assurance that we will be able to continuously recruit staff in a timely and cost-efficient manner. Any failure to attract qualified personnel at a reasonable cost and in a timely manner may weaken our competitive advantages relative to our competitors. Any shortage of labour in the regions where we operate may hinder our future business growth.

According to Frost & Sullivan, the average level of wages and benefits for employees in the PRC has shown an increasing trend over the past few years, and this trend is expected to continue in the near future. Our Directors expect that labour cost in the tower crane service industry will continue to increase in the future. If labour cost in the PRC continues to increase and we are unable to pass on such increase in cost, in part or at all to our customers in a timely manner or adopt appropriate or effective means to reduce our labour cost, our profitability and results of operations may be materially and adversely affected. In addition, given the complexity and nature of our projects, we may be constrained by industrial actions, labour disputes or strikes. We cannot assure you that we will be able to avoid or manage the occurrence of any such industrial actions, labour disputes or strikes in the future. The occurrence of any of the foregoing may materially and adversely affect our business, results of operations and financial condition.

We partially rely on third-party labour subcontractor providers in the PRC and our business operations may be materially and adversely affected by the qualification, work performance and availability of such labour

We had engaged third-party labour subcontractor providers during the Track Record Period to provide personnel to take up certain on-site roles, including operators, signal supervisors, repair and maintenance workers and handymen. We generally engage our approved labour subcontractor providers on a project basis as they are familiar with our requirement and standard for labour subcontractors. For the three years ended 31 March 2018, 2019 and 2020 and three months ended 30 June 2020, our fees incurred to our labour subcontractor providers for labour subcontracting amounted to approximately RMB174.9 million, RMB177.3 million, RMB174.4 million and RMB52.4 million, respectively, representing approximately 42.3%, 37.4%, 35.5% and 40.2% of our cost of sales for the same periods, respectively.

We generally select these third-party labour subcontractor providers based on price, quality of labour provided and their efficiency in labour arrangements. Although we have previously engaged these third-party labour subcontractor providers and considered their performance satisfactory, there is no assurance that the service work undertaken by the labour subcontractors supplied by our approved third-party labour subcontractor providers will be always satisfactory. Our quality of work and reputation may be materially and adversely impacted if our labour subcontractors underperformed, which may directly affect our ability to

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compete for potential tenders. Further, any third-party labour subcontractor providers facing financial or other difficulties, including labour disputes with its labour forces, may not be able to meet our staffing needs in a timely manner or at all, which may result in a delay in the completion of our projects and substantial liabilities on our Group. If the amounts we are required to pay for labour subcontractors exceed our cost estimate for a project, and we are unable to pass on the risk of increased labour subcontracting cost to our customers, our business, results of operations and financial condition may be materially and adversely affected.

Our business operations and reputation may be materially and adversely affected by delays in the delivery or poor handling of tower cranes and related parts, components and accessories by external logistics service providers

During the Track Record Period, we had engaged external logistic companies to deliver our tower cranes and related parts, components and accessories to designated project sites. The timely delivery of our tower cranes to customers' project sites depends highly on, among others, the external logistics service providers' ability to fulfil their obligations in accordance with the terms of respective service contracts, such as their responsiveness to our logistic orders and provide us the required logistic services. Any failure to provide on-time delivery may have a material adverse impact on our business operations and reputation as it may lead to our customers' project delays, as well as expose us to potential contractual claims with our external logistics service providers or our customers. In such events, we may not be able to seek full indemnity from the external logistics service providers or enforce in full any favourable judgements obtained.

Further, we may also be obligated under respective service contracts with our customers to compensate them for any loss or damages incurred due to failure to comply with the terms. Any contractual disputes for material breaches by our external logistics service providers, which may arise in the future, may severely affect our business operations and divert our management attention and resources.

Any changes or discontinuation of preferential tax treatment and government grants may affect our business, results of operations and financial condition

During the Track Record Period, we had received various preferential tax treatment in the form of value-added tax refund and financial support from the local government authorities. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our value-added tax refund in our other income amounted to approximately RMB4.3 million, RMB12.5 million, RMB6.9 million and RMB1.8 million, respectively, of which nil and approximately RMB11.9 million, RMB6.7 million and RMB1.7 million, respectively, were related to our Jiangsu Hengxingmao, and our government grants amounted to approximately RMB4.3 million, RMB4.3 million, RMB0.7 million and RMB1.1 million, respectively. For more details in relation to the value-added tax refund and government grants we received, please refer to the section headed "Financial Information – Principal income statement components – Other income" in this prospectus.

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It is in the relevant PRC government authorities' sole discretions to decide when, under what conditions or whether the preferential tax treatment and/or government grants should be granted to us. There may also be changes of laws or regulations in certain industries that may affect or discontinue our eligibility to receive preferential tax treatment or government grants. For example, the newly issued Interim Measures for Financial Leasing Companies on 26 May 2020 has put in place a framework to further regulate the financial leasing industry. As our Jiangsu Hengxingmao is primarily engaged in the financial leasing activities and is an entity filed on the National Financial Leasing Enterprise Management Information System (全國融資租賃企業管理信息系統), it is required to comply with the Interim Measures for Financial Leasing Companies in order to continue its financial leasing operation. For more details in relation to the Interim Measures for Financial Leasing Companies, please refer to the section headed "Regulatory Overview – Laws and regulations on finance leasing enterprises – Interim Measures for Financial Leasing Companies" in this prospectus. In the event that Jiangsu Hengxingmao must cease all of its financial leasing business as a consequence of the Interim Measures for Financial Leasing Companies, Jiangsu Hengxingmao would be no longer entitled to the value-added tax refund. We cannot assure you that we will continue to be eligible to receive the preferential tax treatment and/or government grants or the relevant PRC government authorities will not impose new conditions for receiving such preferential tax treatment and/or government grants in the future. If we are unable to obtain or maintain the preferential tax treatment and/or government grants or any other favourable regulatory treatments in the future, our business, results of operations and financial condition may be affected.

We are subject to risk of recoverability of recoverable value-added tax

We recorded recoverable value-added tax during the Track Period Record. Our recoverable value-added tax amounted to approximately RMB77.6 million, RMB47.9 million, RMB29.5 million and RMB27.1 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively. The amount of input value-added taxes is determined by the applicable value-added tax rate in effect during the period when we conduct our daily business operation, such as procuring tower cranes and related parts, components and accessories from our suppliers, whilst the value of the output value-added taxes is determined by the revenue generation from, among other things, the provision of our tower crane solution services. While the recoverable value-added tax may enable us to reduce future tax payment, our recoverable value-added tax may also pose risk to us as its recoverability is dependent on our revenue generation and then applicable value-added tax rate in effect.

There is no assurance that our recoverable value-added tax can be recovered. If we under any circumstances experience deficit or significant decrease in our revenue generation, the output value-added tax may be in shortfall in the future, and we may have to write-down the recoverable value-added tax, which may significantly affect our results of operations and financial condition.

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Adverse weather and seasonal conditions, natural disasters, acts of God, political unrest and other events may have a negative impact on our operations

As our tower crane services are performed above the ground, our work and services are affected by seasonal weather conditions. For example, in northern China, we cannot conduct most of our tower crane service work from January to March due to the extreme cold weather. Further, we may also experience seasonal fluctuation in our revenue and operating income in the first quarter of the year due to the Chinese New Year, which in turn, reduce the business activities and labour force in the market. Unfavourable weather and seasonal conditions may prevent us from conducting work at our customers' project sites or providing tower crane services to our customers in accordance with the contract schedules, or directly reduce our productivity.

In addition, acts of war, political unrest and terrorist attacks in the PRC may also cause significant damage to our business operations and financial condition. Fires, volcanic eruptions, tsunamis or other natural disasters and acts of god in places where we have operations may also cause damage to our equipment or our construction work. Any of the above events may materially and adversely affect our business, results of operations and financial condition.

Establishment of our Yangzhou Refurbishment Centre may not be as successful as we have planned or such plan may result in significant increases in management costs and/or depreciation and amortisation, which may materially and adversely affect our business, results of operations and financial condition

We consider the establishment of our Yangzhou Refurbishment Centre in 2019 as one of the important milestones in our corporate history. We plan to provide tower crane repair, maintenance and refurbishment services to our Group as well as to third party industrial peers, with an intention to satisfy our internal needs and offer another avenue of our revenue growth. We also plan to operate our Yangzhou Refurbishment Centre as our centralised tower crane yard in the eastern China region for the storage of tower cranes and related parts, components and accessories. We also intend to launch our production and sales lines in the Yangzhou Refurbishment Centre to manufacture and sell components and accessories. Furthermore, we will offer technical training courses at our Yangzhou Refurbishment Centre to our own staff and collaborate with local technical schools to provide and recruit students with suitable backgrounds to join our Group. For further details of our Yangzhou Refurbishment Centre, please refer to the sections headed "Business – Our tower crane yards and Yangzhou Refurbishment Centre – Our Yangzhou Refurbishment Centre" and "Future Plans and Use of Proceeds" in this prospectus.

We have implemented the above establishment plan of our Yangzhou Refurbishment Centre based on our current and forecast business operation and performance and the overall market environment. However, we cannot assure you that our establishment plan will not result in significant management costs to oversee and supervise of the operation in our Yangzhou Refurbishment Centre to ensure its integration with the rest of our Group, which may materially and adversely affect our business, results of operations and financial condition.

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Further, we are subject to depreciation and amortisation expenses incurred from our establishment plan of our Yangzhou Refurbishment Centre. For the year ended 31 March 2020 and the three months ended 30 June 2020, our depreciation incurred from our Yangzhou Refurbishment Centre included depreciation on newly-purchased office equipment, machinery, land use right, buildings and related leasehold improvements, amounted to approximately RMB0.6 million and RMB0.2 million, respectively. We expect to further incur depreciation and amortisation expenses for the construction of our Yangzhou Refurbishment Centre of approximately RMB1.0 million, RMB1.7 million and RMB2.2 million for the nine months ending 31 March 2021 and the two years ending 31 March 2022 and 2023, respectively. We cannot assure you that our revenue and profit will increase in proportion to our increased costs, in particular, the increases in depreciation and amortisation expenses, in connection with our further expansion of our Yangzhou Refurbishment Centre.

We are exposed to potential risks associated with participation in government-directed projects

Most of our customers are Chinese Special-tier and Tier-1 EPC contractors, which are mainly Chinese state-owned enterprises and public companies. We mainly engage in our customers' EPC projects in the commercial, infrastructure, residential and energy sectors. Changes in any Chinese government budgets for projects of related industries or factors such as public expenditures and policy considerations, changes in governmental officials or policy makers or other political factors could result in changes or delays to these projects because most of these projects are to some extent controlled, influenced by and associated with the Chinese government and governmental authorities. In addition, disputes with the Chinese state-owned enterprises could lead to contract termination if the disputes are left unresolved or may take a considerably longer period of time to resolve than disputes with other customers, and payments from these Chinese state-owned enterprises may be delayed as a result. Such these Chinese state-owned enterprises may from time to time require the technical solution plans to be changed, requiring us to reconfigure our designs or purchase additional tower cranes, thereby subjecting us to additional costs. Our customers whom are Chinese state-owned enterprises generally exercise substantial bargaining power in the performance of their contracts with us. Changes to government budgets and policies relating to our projects could lead to delays in project completion or a withholding of, or delay in, payments to us. The occurrence of any of these risks may have an adverse effect on our business, financial position and results of operations.

Our risk management and internal control system may not fully protect us against various risks inherent in our business, which may materially and adversely affect our business, results of operations and financial condition

As we operate mainly in the PRC, we have implemented risk management and internal control policies consisting of the relevant organisational framework policies, risk management policies and risk control procedures. These systems are designed to help us manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. However, we may not be successful in implementing our risk management and internal control policies and systems.

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We cannot assure that our risk management and internal control policies and systems are adequate or effective notwithstanding our efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

In addition, since our risk management and internal control policies and systems depend on the effective implementation by our employees, we are not able to ensure that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human error. We are not able to guarantee that our internal control systems will be effective in preventing the occurrence of corruption, bribery or other illegal activities. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to adopt, implement and modify our risk management and internal control policies and procedures in a timely manner, our business, results of operation and financial condition may be materially and adversely affected.

We are exposed to foreign exchange rate fluctuation, and PRC government's control of foreign currency conversion may also limit our foreign exchange transactions

During the Track Record Period, we had recorded net exchange losses of approximately RMB7.8 million, RMB6.2 million and RMB5.7 million for the two years ended 31 March 2019 and 2020 and the three months ended 30 June 2020, respectively, on foreign currency borrowings, which were related to our loans from Tat Hong China and our bank borrowings, as a result of the general appreciation of SGD or USD against Renminbi for the same period. We cannot predict future exchange rate fluctuations between Renminbi and SGD or USD and such fluctuations may materially and adversely affect our financial condition.

Currently, the RMB still cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to the PRC foreign exchange regulations. In light of our future strategy of possible business expansion in Indonesia, we may enter into foreign currency transactions with foreign business partners. As such, our future foreign currency transactions to be conducted by us must be approved in advance by the State Administration of Foreign Exchange and we are subject to foreign exchange rate fluctuations to convert Renminbi to Indonesian Rupiah, USD or other currencies. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or satisfy any other foreign exchange requirements. Changes in foreign exchange rates may also have an impact on the value of, and any dividends payable on, the Shares in HK dollar. In such events, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

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We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability

We rely upon a combination of patents, trademarks, copyrights, domain names and contractual rights to protect our intellectual property rights. As at the Latest Practicable Date, we owned 41 patents, 10 trademarks, 13 copyrights, 16 software copyrights and 10 domain names in the PRC, and had 13 patent applications under review in the PRC. We also possess proprietary information in connection with our operations, such as, information relating to pricing, parts, components and accessories procurement and construction methods. However, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Failure to successfully enforce our intellectual property rights would diminish our level of competitiveness and harm our reputation. In addition, we may be required to incur significant costs in monitoring and protecting our intellectual property. In particular, we believe that our trademarks are vital to our brand recognition and the success of our business.

We may be required to commence legal proceedings to enforce our intellectual property rights and protect our proprietary information. Conversely, we may be subject to litigation involving claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, or whether successful or not, can be both costly and time-consuming and may significantly reduce our resources. An unfavourable determination in any such litigation or proceedings to which we are a party could materially and adversely affect our business, financial condition and results of operations.

Successful implementation of our business strategies and future plans are subject to uncertainties

We plan to achieve our business growth by implementing a series of strategies, such as, expanding our fleet on large sized tower cranes with higher lifting capacities and continuously recruit talents, expand our Yangzhou Refurbishment Centre, gradually expand our market in Indonesia under China's Belt and Road Initiative and expanding our business operations through acquisitions. For further details, please refer to the section headed "Business – Future strategies" in this prospectus. There is no guarantee that we will be able to implement any of our business strategies and future plans successfully, which in turn are subject to uncertainties and changing market, economic and political conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialise. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Further, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate. The profit from our implemented plans may not be sufficient to justify the start-up expenses and the increased operating costs.

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We may experience failures in our integrated information systems

We rely, to a large extent, on our information technology systems for our daily operations. Our research and development team has built integrated information systems covering the management of extensive areas of our daily operation, including the management of our tower cranes and related parts, components and accessories, projects, insurance, administrative and financial management, designed to improve efficiency, systemise continuity and eliminate and manage repeatability in daily operations. Our integrated information systems are critical to our operations. Our operating efficiency and risk management practices have been enhanced by such integrated information technology systems. We cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our integrated information systems will not happen in the future. If any serious damage or significant interruption occurs, we may experience system errors and our operations may be disrupted.

We may have difficulty in managing our future growth

Our future growth may depend on our ability to establish or rent additional tower crane yards and related facilities, developing new production lines, expanding our production capacities, introducing new products and services, or expanding our business network in existing markets. Our ability to achieve growth will be subject to a range of factors, including our existing market share in a particular market, competition with existing companies in our target markets, the expansion of our business network in existing markets or potential entry into new markets, our research and development capabilities, the hiring and training of qualified personnel, our ability to control our costs and maintain sufficient liquidity, our ability to prioritise our financial and management control in an efficient and effective manner, effective quality control, our ability to maintain our high service standards and strengthening of our existing relationship with our customers and suppliers.

Further, we face increased risks when we enter into new markets, which may have different regulatory requirements, competitive conditions and customer preferences. Customers in new markets may be unfamiliar with our brands and products and we may need to build or increase brand awareness in the relevant markets by increasing investments in marketing and networking activities. We may also find it more difficult in new markets to hire, train and retain qualified personnel who share our business philosophy and culture.

Additionally, our expansion plans and business growth may strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. It will also depend on our effective management of calculated risks by maintaining our tower cranes and parts and components. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may materially and adversely affect our growth prospects.

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RISKS RELATING TO CONDUCTING BUSINESS IN PRC

The PRC economic, political and social conditions, as well as government policies, could materially and adversely affect our business, financial position, results of operations and prospects

Since most of our revenue is derived from our operations in the PRC, our business, financial position, results of operations and prospects are, to a great extent, subject to PRC economic, political and legal developments. The PRC government exerts substantial control over the growth of the domestic economy by means of resource allocation, setting policy on foreign exchange and payment of debts denominated in foreign currencies, setting monetary policy, and giving preferential treatment to specific industries or companies. In recent years, the PRC government has implemented market-oriented reforms. Such economic reform measures could be adjusted or revised and may differ between industries or various regions in the PRC. As such, we may not benefit from such measures.

China has been one of the fastest-growing economies in the world in recent years, in terms of GDP. However, China may not be able to sustain such growth rate, and growth rates in recent periods have been lower than previously. In order to maintain economic growth in China, the PRC government has taken, and may continue to implement, a range of monetary policies and other economic measures to increase investment in infrastructure projects, improve the liquidity of the credit markets and encourage employment. There can, however, be no assurance that such monetary policies or economic measures will be successful. If there is a reduced rate of growth or even a recession in the PRC economy, there may be fewer projects that we can acquire or invest in, our interest expenses may increase, or we may face reduced access to credit facilities. Such changes in the PRC economy and relevant markets in the future may materially and adversely affect our business, financial position and results of operations.

The interpretation and enforcement of PRC laws and regulations involves significant uncertainties and PRC laws differ from the laws of common law jurisdictions

As we are a company incorporated under PRC law and most of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as references. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential value, interpretation and enforcement of these laws and regulations involve significant uncertainties.

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Furthermore, certain important aspects of PRC corporate law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to: investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. We cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions.

Our Company may be subject to the PRC enterprise income tax on our worldwide income under the EIT Law

Our Company is incorporated under the laws of the Cayman Islands and it indirectly holds interests in certain PRC subsidiaries. Under the EIT Laws and EIT Regulations, enterprises established under the laws within the territory of PRC, or established under the laws of a foreign country (region), but whose “de facto management body” is located in PRC are treated as resident enterprises for PRC tax purposes. If any entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax at the uniform tax rate of 25% on its worldwide income. The term “de facto management body” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of their of Actual Management (國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) and clarified that the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. These criteria include: (1) members of senior management who are in charge of the enterprise’s day-to-day operation are from China; (2) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organisations or personnel in China; (3) the enterprise’s primary assets, accounting books and records, company seals, and minutes of board and shareholders’ meetings are located or maintained in China; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. If our Company is deemed to be a PRC resident enterprise under the EIT Law by the PRC taxation authority, our Company may become subject to the PRC enterprise income tax at a rate of 25% on its worldwide income.

We may be adversely affected by failure of our Shareholder to comply with PRC foreign exchange control rules or requirements

Pursuant to the SAFE’s Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Outbound Investment and Financing and Inbound Investment via Special Purpose Vehicles (“SPV”), or SAFE Circular 37, which has superseded SAFE Circular 75. According to SAFE Circular 37, the PRC domestic resident shall apply for SAFE registration for overseas investment before paying capital to SPV by using his, her or its legal assets whether overseas or domestic. The SPV is defined as “offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic

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institutions and individuals) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing”. In addition, in the event that the SPV undergoes changes of its basic information such as the individual shareholder, name, operation term, etc., or material events including increase or decrease by domestic individual shareholder in investment amount, equity transfer or swap, merge, spin-off, etc., the domestic resident shall timely complete the change of foreign exchange registration formality for offshore investment with SAFE.

According to SAFE Circular 37, failure to make such registration or truthfully disclose actual controllers of the round-trip enterprises may subject PRC residents to fines up to RMB300,000 in case of domestic institutions or RMB50,000 in case of domestic individuals. If the registered or beneficial shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiary. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for violating applicable foreign exchange restrictions.

On 13 February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知, which came into effect on 1 June 2015, pursuant to which, local banks must review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE. There are currently uncertainties as to the interpretation and implementation of the latest SAFE rules at practice level by the local government authorities, and foreign exchange registration may not be always practically available in all circumstances as prescribed in those regulations.

As a result of the aforesaid uncertainties, one of our Group’s indirect minority shareholders, Mr. Sun Tian, who is the sole shareholder of Sunfield Investment and a Chinese resident, is subject to but is unable to complete the registration requirement under SAFE Circular 37. For more details on our SAFE registration, please refer to the section headed “History, Reorganisation and Corporate Structure – SAFE registration by our Shareholder” in this prospectus. Under such circumstance, we cannot assure you that the SAFE or its local branches will not release explicit requirement or interpret the relevant PRC laws and regulations otherwise. Failure to comply with SAFE Circular 37 or other related regulations could subject Mr. Sun Tian to fines, restrict our overseas or cross-border investment activities, limit our ability to contribute additional capital into our PRC subsidiaries, or limit our PRC subsidiaries’ ability to pay dividends or make distributions or other payments to our Company or affect our ownership structure. If these happen, our business, financial position and prospects may be materially and adversely affected.

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PRC regulations on loans to and direct investment by offshore holding companies in the PRC entities may delay or prevent our Group from making loans or additional capital contributions to our PRC subsidiaries

As offshore holding company of our PRC subsidiaries, other member(s) of our Group may make loans to the PRC subsidiaries, or may make additional capital contributions to the PRC subsidiaries. When any loans or capital contributions are made by our Company or our offshore subsidiary, as an offshore entity, to our PRC subsidiaries, such PRC subsidiaries are subject to the PRC regulations and foreign debt registrations to conduct relevant filing procedures for such loans and capital contributions. For example, loans by offshore holding companies (i) to our PRC investment company subsidiary to finance its activities cannot exceed four times of its paid registered capital; (ii) to our PRC financing leasing subsidiaries to finance their activities cannot exceed ten times of their respective risk assets; and (iii) to our other PRC subsidiaries to finance their activities cannot exceed the difference between the total amount of investment of the relevant PRC entity and its registered capital (or other amount of foreign debt determined in accordance with applicable regulations) and must be registered with the State Administration of Foreign Exchange of the PRC or its local counterpart. Our Company may subject to compliance with applicable laws and regulations, also determine to finance the PRC subsidiaries by means of capital contributions. These capital contributions must be subject to the requirements of relevant laws and regulations and filed to the Ministry of Commerce of the PRC or its local counterpart (if applicable). There is no assurance that our Company may obtain these government registrations or files on a timely basis, if at all, with respect to future loans or capital contributions by our Company to finance the PRC subsidiaries. If our Company fails to receive relevant registrations or files, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments, and in turn, may adversely and materially affect our business, financial condition and results of operations.

Dividend payable by our Company to Shareholders and gain on the sale of the Shares may be subject to the PRC tax

Under the EIT Laws and EIT Regulations, withholding tax at 10% will normally apply to dividend payable to non-PRC resident enterprise which are derived from sources within the PRC. If we are deemed by the PRC tax authorities as a PRC resident enterprise for tax purpose in the future, we may be required to withhold the PRC income tax on capital gains realised from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from "sources within China".

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. If PRC income tax is imposed on gains realized from

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the transfer of our Shares or on dividends paid to our non-PRC resident individual investors, the value of our investors' investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

In this case, dividend income of our foreign corporate Shareholders which are “non-PRC resident enterprise”, i.e. enterprises that do not have an establishment or place of business in the PRC, or that have such establishment or place of business in the PRC but the relevant income is not effectively connected with such establishment or place of business, are generally subject to the PRC enterprise income tax at the rate of 10% to the extent such dividend has its source within the PRC unless it can be reduced pursuant to the respective tax treaty between the PRC and the jurisdiction in which our foreign corporate Shareholders resides which reduces or exempts the relevant tax. Similarly, any gain realised on the transfer of shares by such non-resident investors is subject to a 10% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. The preferential tax rate does not automatically apply. If the PRC tax authorities deem us as a PRC resident enterprise, Shareholders who are not the PRC tax residents but seeking to enjoy preferential tax rates under relevant tax treaties will need to apply to the PRC tax authorities to seek approval for recognition of eligibility for such benefits. If determined to be ineligible for treaty benefits, such Shareholder may become subject to higher the PRC tax rates on dividends of our Shares.

Since it is uncertain whether our Company will be considered as a PRC resident enterprise, dividend payable to our Shareholders with respect to our Shares, or the gain our Shareholders may realise from the transfer of their Shares, may be treated as income derived from sources within the PRC and be subject to the PRC tax. If our Company is required under the EIT Law to withhold the PRC tax on dividend payable to foreign Shareholders, or if our foreign Shareholders are required to pay the PRC tax on the transfer of their Shares, the value of their investment in our Shares may be adversely affected.

Our Company is a holding company and our ability to pay dividend relies on dividend payments from our subsidiaries

Our Company is a holding company and our business is substantially conducted through our operating subsidiaries in the PRC. As a result, our ability to pay dividend depends on dividend and other distributions we receive from our PRC subsidiaries. If our subsidiaries incur debts or losses, these may impair their ability to pay dividend or other distributions to our Company, which may in turn adversely affect our ability to pay dividend to our Shareholders.

The ability of our subsidiaries to pay any dividend in a given year to our Company depends on the legal and regulatory requirements to which the relevant subsidiary is subject. In general, such subsidiaries may not declare and pay any dividend to our Company, if they do not have any distributable profits. The applicable PRC laws, rules and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Limitations on the ability of such subsidiaries to remit their after tax profits to our Company in the form of dividend or

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other distributions may adversely affect our ability to grow, to invest, to pay dividend and otherwise fund, and to conduct our business. There is no assurance that such subsidiaries will generate sufficient earnings and cash flow to pay dividend or otherwise distribute sufficient funds to our Company to enable us to pay dividend to Shareholders.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that members of our Group may enter into in the future may also restrict the ability of such members to pay dividend or make distributions to our Company. These restrictions generally reduce the amount of dividend or other distributions our Company may receive from our subsidiaries, which in turn may impact on our Company's ability to pay dividend to our Shareholders.

Under the EIT Law, we may in the future be deemed as a Chinese residential enterprise by the Chinese tax authorities. In addition, under the EIT Law, certain qualifying dividend payments between Chinese resident enterprises are tax free. However, we are not sure as to whether we will be deemed to be a Chinese resident enterprise, and that our subsidiaries incorporated in the PRC or elsewhere do not need to pay dividend withholding income tax.

Uncertainties with respect to the PRC legal system and business environment may materially and adversely affect our business and operations

A substantial portion of our business and operations are conducted in the PRC. Our business in the PRC is subject to the PRC laws and regulations applicable to foreign investment in the PRC. The PRC legal system is a civil law system based on written statutes. Unlike in the common law system, prior cases have limited precedential value in deciding subsequent cases in the civil law legal system. Additionally, PRC written statutes are often principle oriented and require detailed interpretations by the enforcement bodies for their application and enforcement. When the PRC government started its economic reforms in 1978, it began to build a comprehensive system of laws and regulations to regulate business practices and the overall economic order of the country. The PRC has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may materially and adversely affect our business and financial condition. Additionally, given the involvement of different enforcement bodies of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment and may also materially and adversely affect our business, results of operations and financial condition.

RISK FACTORS

In addition, the significant progress in the promulgation of laws and regulations and significant uncertainties involving in the interpretation and enforcement of PRC laws and regulations may lead to the lack of transparency with the legal system in the PRC and increase our risks exposed in relation to corruption, bribery and other unethical practices of local government officials. We are subject to anti-bribery laws and regulations in the PRC that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures in place to ensure that we and our employees comply with these anti-bribery laws and regulations, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in such bribery, corruption or unethical activities. Failure to comply with anti-bribery laws and regulations could disrupt our business and lead to severe criminal and civil penalties, including criminal and civil fines, loss of our licences and permits, suspension of our ability to do business with Chinese state-owned enterprises or exclusion from participation in tenders. In addition, we could also be adversely affected by any allegation that we have violated such laws and regulations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market in Hong Kong for our Shares and their liquidity and market price may be volatile

Prior to the Global Offering, no public market existed for our Shares. The initial Offer Price range to the public for our Shares is the result of negotiations between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no assurance that an active trading market for our Shares will develop following the Global Offering or, if it does develop, that it will be sustained or that the market price for our Shares will not decline below the initial Offer Price.

The price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering

Factors such as fluctuations in our sales, earnings, cash flows, new investments, acquisitions or alliances, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change substantially and/or unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance or condition of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may adversely affect the prices of our Shares, and as a result investor in our Shares may incur substantial losses.

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Our Controlling Shareholders have substantial influence over us and the Controlling Shareholders' interests may not be aligned with the interests of our other Shareholders

Immediately after the Listing, our Controlling Shareholders will beneficially own in total 64.9% of our issued share capital (assuming no exercise of the Over-allotment Option and without taking into account any Shares that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). Our Controlling Shareholders will be in a position to exert significant influence over our affairs, and will be able to significantly influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of our Controlling Shareholders may not necessarily be aligned with those of our independent Shareholders. Our Controlling Shareholders may cause us to take actions that are not in the interests of us or our other Shareholders. In the event that the interests of our Controlling Shareholders conflict with those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders.

Future sale or major divestment of Shares by our Controlling Shareholders could materially and adversely affect the prevailing market price of our Shares

Our Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "Underwriting" in this prospectus. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

Our Shareholders may experience dilution if we issue additional Shares in the future

We may need to raise additional funds to finance expansion or acquisitions relating to our existing operations in the future. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to our existing Shareholders, their percentage ownership may be diluted, or such new securities may confer rights and privileges that take priority over those conferred by our Shares.

Difficulties in protecting your interests under the laws of the Cayman Islands

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

RISK FACTORS

Facts and other statistics in this prospectus derived from official government publications or public database sources may not be fully reliable

This prospectus, particularly the section headed “Industry Overview”, contains information and statistics, including, but not limited to, information and statistics relating to the PRC, the PRC economy and the construction contracting and real estate industries in the PRC. Such information and statistics have been derived from various official government publications and other publications, and from a third party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by us, the Selling Shareholder, the Sole Sponsor, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering, and no representation is given as to its accuracy. We cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy, as the case may be, as that in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

You should read the entire prospectus carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering including, in particular, any projections, valuations or other forward-looking information

Prior or subsequent to the publication of this prospectus, there had been or may be press and media coverage regarding us and the Global Offering. We have not authorised the disclosure of any such information in the press or media, the financial information, financial projections, valuations and other information about us contained in such unauthorised press and media coverage may not truly reflect what is disclosed in this prospectus or the actual circumstances, and we do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us or the Global Offering, or of any assumptions underlying such projections, valuations or other forward-looking information included in or referred to by the press articles or other media. To the extent that any such information appearing in the press or media is inconsistent or in conflict with the information contained in this prospectus or the actual circumstances, we shall not be liable on the same. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and not to rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain transactions with connected persons that are expected to continue after the Listing, which will constitute continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules for certain continuing connected transactions. For further details of such continuing connected transactions and waiver, please refer to the section headed “Connected Transactions” in this prospectus.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. For the purpose of the proposed Listing, our Company will establish a principal place of business in Hong Kong and register as a non-Hong Kong company under Part 16 of the Companies Ordinance before the Listing. However, the principal business operations, offices and factories of our Group are primarily located, managed and conducted in the PRC, and all the executive Directors are not ordinarily residents in Hong Kong. We believe it would be more effective and efficient for most of our executive Directors and our senior management to remain based in PRC where we have significant operations. We also believe that it would not be in the best interests of our Group and our Shareholders as a whole to additionally appoint two executive Directors who are ordinarily resident in Hong Kong but do not fully understand or familiarise with our business operations, activities and development for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules. Therefore, our Company does not and will not in the foreseeable future have two executive Directors residing in Hong Kong for the purposes of satisfying the requirement under Rule 8.12 of the Listing Rules.

As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the following conditions:

1. our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company’s principal channel of communication with the Stock Exchange. Our Company will appoint Ms. Yeung Ching Man, the company secretary of our Company, who is ordinarily resident in Hong Kong, and Mr. Sean Yau, as the two authorised representatives of our Company (the “**Authorised Representatives**”). Each of the Authorised Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by their respective mobile phone number, office phone number, e-mail address and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- facsimile number (if available). Each of the two Authorised Representatives has been duly authorised to communicate on our behalf with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details;
2. both of the Authorised Representatives of our Company will have means to contact all members of the Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors and senior management team for any matters;
 3. to enhance the communication between the Stock Exchange, the Authorised Representatives and the Directors, our Company will implement a policy whereby (a) each Director will have to provide his/her respective mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses to the authorised representatives; (b) each Director will endeavour to provide valid phone number or means of communication to the authorised representatives when he/she is traveling; and (c) each Director will provide his/her mobile phone numbers, office phone numbers, fax numbers (if available) and email addresses to the Stock Exchange;
 4. our Company shall promptly inform the Stock Exchange of any changes on the Authorised Representatives and/or the compliance advisor in accordance with the requirements of the Listing Rules;
 5. if circumstances require, meetings of the Board can be summoned and held at short notice to discuss and address any issue which the Stock Exchange is concerned in a timely manner;
 6. our Company will appoint a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to our Authorised Representatives, Directors and senior management to ensure that they are in a position to provide prompt responses to any query or request from the Stock Exchange in respect of our Company and will act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date (the “**Engagement Period**”) in accordance with Rule 13.46 of the Listing Rules;
 7. our Company will ensure that during the Engagement Period, the Compliance Adviser has access at all times promptly to the Authorized Representatives, Directors and other senior officers who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

8. our Company will also appoint other professional advisers (including its legal advisers in Hong Kong), if necessary, after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and
9. each of the Directors (including the independent non-executive Directors) who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules, Chapter 571V of the Laws of Hong Kong and the Listing Rules for the purpose of giving information to the public with regard to our Company. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Having made all reasonable enquiries, our Directors confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Hong Kong Public Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective Directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 37,272,000 Offer Shares and the International Offering of initially 335,448,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus). For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering. Details of the terms of the Global Offering are described in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares shall, under any circumstances, create any representation that there has been no change or development reasonably likely to constitute a representation that there has been no change in our affairs since the date of this prospectus or that the information in it remains correct as of any subsequent time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

UNDERWRITING

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about 5 January 2021. The Hong Kong Public Offering and the International Offering are subject to the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. For details of the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and us on or around 5 January 2021, and in any event no later than 8 January 2021.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and the Company are unable to reach an agreement on the Offer Price on or before 8 January 2021, or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not become unconditional and will lapse.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

SALE OF THE SALE SHARES BY THE SELLING SHAREHOLDER

The Selling Shareholder will offer 81,000,000 Sale Shares for sale under and as part of the International Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares will be required to, or be deemed by his/her acquisition of Hong Kong Offer Shares to, confirm that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus and on the relevant Application Forms and that he/she is not acquiring, and has not been offered, any Hong Kong Offer Shares in circumstances that contravene any such restrictions.

No action has been taken in any jurisdiction other than Hong Kong to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, our Shares in issue, the Offer Shares (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and any Shares which may be issued upon the exercise of any options to be granted under the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on or around 13 January 2021.

Save as disclosed in the section headed “Statutory and General Information – E. Other information – 11. Miscellaneous” in Appendix IV to this prospectus, none of our Shares or loan capital are listed on or dealt in any other exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, our Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice of your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Selling Shareholder, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective Directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by Conyers Trust Company (Cayman) Limited in the Cayman Islands and the Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in our Shares registered on the register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the sellers on every sale of the Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). For further details of Hong Kong stamp duty, please seek professional tax advice.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars, U.S. dollars and Singapore dollars. Unless otherwise specified, amounts denominated in HK\$ have been translated, for the purpose of illustration only, into RMB or US\$ or SGD, and vice versa, in this prospectus at the rate of RMB1.00 to HK\$1.094, US\$1.00 to HK\$7.750 and SGD1.00 to HK\$5.571. No representation is made that any amounts in RMB, HK\$ and US\$ can be or could have been at the relevant date converted at the above rate or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons, companies, other entities or product names, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. However, if there are any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translation, the names in their respective original language shall prevail.

ROUNDING

Unless otherwise specified, all the numerical figures are rounded to one decimal place. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Yau Kok San (邱國榮)	Apartment Block 118A Jalan Membina #27-133 Singapore 161118	Singaporean
Lin Han-wei (林翰威)	4/F, 81 Dazhi Street Zhongshan District Taipei Taiwan 10464	Taiwanese
<i>Non-executive Directors</i>		
Ng San Tiong (黃山忠)	69 Greenfield Drive Singapore 457957	Singaporean
Sun Zhaolin (孫兆林)	A1-5 Hongyu Wanhao Garden Fushun Liaoning China	Chinese
Chen Baozhi (陳寶智)	Flat 504, Unit 2 Block 3 127 Songshan Road Jianye District Nanjing China	Chinese
<i>Independent non-executive Directors</i>		
Wan Kum Tho (尹金濤)	House 76 Jalan Haji Alias Singapore 268558	Singaporean
Huang Chao-Jen (黃兆仁)	5/F, No.7, Alley 45 Lane 236, Section 5 Zhongxiao East Road Xinyi District Taipei Taiwan 11060	Taiwanese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Pan I-Shan (潘宜珊)	Flat 5, 23/F, No. 319, Section 3, Minsheng Road Banqiao District Taipei Taiwan 22047	Taiwanese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information on our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Fortune Financial Capital Limited
43/F, COSCO Tower
183 Queen’s Road Central
Hong Kong

Joint Global Coordinators

Fortune (HK) Securities Limited
43/F, COSCO Tower
183 Queen’s Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners

Fortune (HK) Securities Limited
43/F, COSCO Tower
183 Queen’s Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Valuable Capital Limited

Room 2808, 28/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

China Everbright Securities (HK) Limited

12/F, Everbright Centre
108 Gloucester Road
Wanchai
Hong Kong

Huabang Securities Limited

Unit 3308, 33/F, Enterprise Square Three
39 Wang Chiu Road
Kowloon Bay
Hong Kong

**China Industrial Securities International
Capital Limited**

7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Crosby Securities Limited

5/F, Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Fortune (HK) Securities Limited

43/F, COSCO Tower
183 Queen's Road Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Zhongtai International Securities Limited

19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Valuable Capital Limited

Room 2808, 28/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

China Everbright Securities (HK) Limited

12/F, Everbright Centre
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Hong Kong

Huabang Securities Limited

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Kowloon Bay
Hong Kong

**China Industrial Securities International
Capital Limited**

7/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Crosby Securities Limited

5/F, Capital Centre
151 Gloucester Road
Wanchai
Hong Kong

China Tonghai Securities Limited

18/F-19/F, China Building
29 Queen's Road Central
Hong Kong

TUS Corporate Finance Limited

15/F, Shanghai Commercial Bank Tower
12 Queen's Road Central
Central
Hong Kong

uSmart Securities Limited

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CORPORATE INFORMATION

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Principal place of business in Hong Kong	40/F, Sunlight Tower 248 Queen's Road East Hong Kong
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Company's website	<u>www.tathongchina.com</u> (Information contained in this website does not form part of this prospectus)
Company secretary	Ms. Yeung Ching Man <i>Certified Public Accountant and Chartered Secretary</i> 40/F, Sunlight Tower 248 Queen's Road East Hong Kong
Authorised representatives	Mr. Sean Yau Apartment Block 118A Jalan Membina #27-133 Singapore 161118 Ms. Yeung Ching Man 40/F, Sunlight Tower 248 Queen's Road East Hong Kong
Audit Committee	Ms. Pan I-Shan (<i>Chairlady</i>) Mr. Wan Kum Tho Dr. Huang Chao-Jen
Remuneration Committee	Mr. Wan Kum Tho (<i>Chairman</i>) Ms. Pan I-Shan Dr. Huang Chao-Jen

CORPORATE INFORMATION

Nomination Committee

Mr. Ng San Tiong (*Chairman*)
Mr. Wan Kum Tho
Dr. Huang Chao-Jen

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INDUSTRY OVERVIEW

This section contains information and statistics relating to the PRC economy and the industry in which we operate. We have derived such information and data partly from publicly available government and other third-party sources, which have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters or any of our or their respective directors, officers, representatives or affiliates, or any other party involved in the Global Offering (excluding Frost & Sullivan in respect of industry report and the information therein). Our Directors have taken reasonable care in the reproduction of such information, which may not be consistent with other information compiled within or outside the PRC. We commissioned Frost & Sullivan, an independent market research firm, as an industry consultant to prepare an industry research report (the “Frost & Sullivan Report”). We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an independent third party, to conduct a study of China’s tower crane service market. We agreed to pay Frost & Sullivan a fee of RMB750,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the Frost & Sullivan Report. Frost & Sullivan is an independent global market research and consulting firm founded in 1961 and based in the United States with more than 2,000 industry consultants, market research analysts, technology analysts and economists.

RESEARCH METHODOLOGY

The Frost & Sullivan Report includes both historical and forecast information on the PRC tower crane service markets and other economic data. To prepare the Frost & Sullivan Report, Frost & Sullivan undertook both primary and secondary independent research through various resources within the PRC tower crane service market. For the purpose of preparing for the Frost & Sullivan Report, Frost & Sullivan has (i) conducted detailed primary research which involves analysis on the status of the tower crane service market with leading industry participants and industry experts; and (ii) conducted secondary research which involves reviews of company reports, independent research reports and data based on Frost & Sullivan’s own database. Projected total market size was derived from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

INDUSTRY OVERVIEW

BASIS AND ASSUMPTION

The Frost & Sullivan Report was compiled based on the following assumptions: (i) the PRC's economy is likely to maintain steady growth in the next decade; (ii) the PRC's social, economic and political environment is likely to remain stable from 2020 to 2024 (the "Forecast Period"); (iii) sustainable growth of the construction industry, nationwide promotion of prefabricated building, continuous urbanisation progress, increasing fixed asset investments as well as government-driven regional development and investment initiatives in the PRC, are likely to drive the future growth of the PRC tower crane service market; and (iv) the COVID-19 pandemics will be under effective control in the PRC along with government's strict quarantine and prevention measures and do not affect the long-term economy development of the PRC.




Our Directors are of the view that the sources of information used in this section are reliable as the information was extracted from the Frost & Sullivan Report. Our Directors believe that the Frost & Sullivan Report is reliable and not misleading as Frost & Sullivan is an independent professional research agency with extensive experience in its profession.

AN INTRODUCTION TO TOWER CRANE

A tower crane is a type of construction hoisting equipment that is used extensively in construction and other industries to vertically hoist and move construction materials and install building components. Fixed to the ground with foundation on a concrete slab, a tower crane can offer the best combination of height and lifting capacity. The bottom of a tower crane is attached to the mast which raises the height of the tower crane. The mast is then attached to the slewing mechanism which allows the tower crane to rotate with an angle up to 360 degrees. There are three main parts on top of the slewing mechanism: crane jib, counter jib and operating cab.

Generally, a tower crane requires a large area of working space. Deployment of tower cranes allows construction contractors to significantly reduce labour intensity, improve construction efficiency, and shorten construction period for construction projects.

Classification and characteristics of tower cranes

Topkit Tower Crane	Topless Tower Crane	Luffing Lib Tower Crane
 <ul style="list-style-type: none">➤ A tower crane model that is most commonly-used in the industry, suitable for a wide range of applications <p>Characteristics</p> <ul style="list-style-type: none">➤ Initial type of tower cranes➤ Most commonly-used➤ Lower costs	 <ul style="list-style-type: none">➤ A tower crane model renowned for its cost-effective, commonly used in energy projects <p>Characteristics</p> <ul style="list-style-type: none">➤ Easy for installing and dismantling➤ Lower installation costs➤ Suitable for group work	 <ul style="list-style-type: none">➤ A tower crane model known for high flexibility and its ability to operate in narrow spaces, commonly used in constructions of commercial properties in city centers. <p>Characteristics</p> <ul style="list-style-type: none">➤ Suitable for group work➤ Suitable for working in narrow spaces➤ Larger lifting capacity

Source: Frost & Sullivan

INDUSTRY OVERVIEW

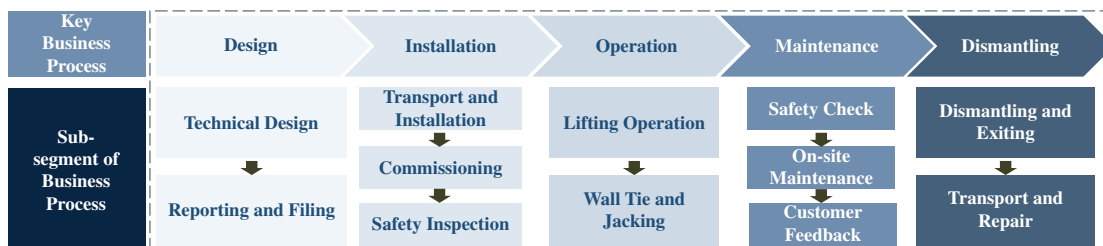
OVERVIEW OF THE PRC TOWER CRANE SERVICE MARKET

Definition and introduction of tower crane service

The tower crane service refers to the one-stop lifting service provided by the tower crane service providers for construction contractors at the project construction site. The one-stop lifting service generally includes the design, installation, operation, maintenance and dismantling of tower cranes.

During the construction process, construction contractors need tower cranes to transport a large number of construction materials from the ground to the designated height and locations. Due to the inconvenient transportation and high operation and maintenance expenses, construction contractors usually contract with tower crane service providers to conduct the lifting service by paying service fees. In the tower crane service market, the service fees not only include the price of using tower cranes, but also contain the labour costs, installation fees and other expenses incurred during the service period.

Business process of China's tower crane service market



Source: Frost & Sullivan

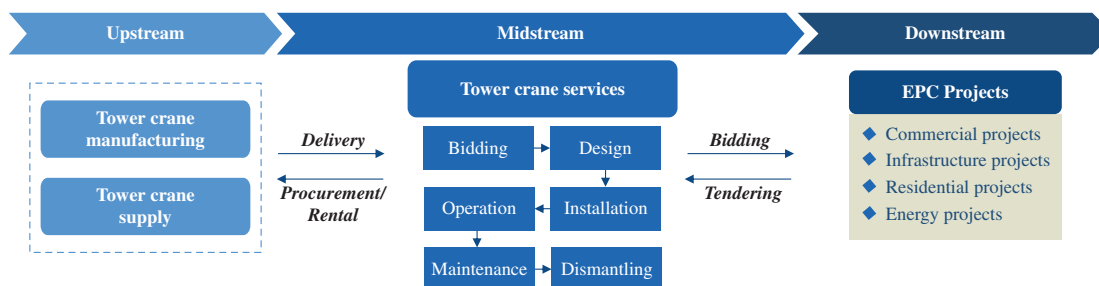
The upstream of the tower crane service industry is the tower crane manufacturing and supply industries. At the moment, tower cranes used in the PRC tower crane service industry are mostly domestically made in China.

Generally, tower crane service providers either purchase tower cranes from manufacturers or rent tower cranes from tower crane suppliers, including tower crane manufacturers, dealers and other tower crane service providers. Although the current leading tower crane service providers have already owned a large-scale tower crane fleet with hundreds of tower cranes through years of equipment procurement, they may also rent tower cranes from other suppliers in order to meet some urgent or specific project needs when their self-owned tower cranes are insufficient or unsuitable to the customers' project needs. In such case, the combination of purchasing and renting tower crane based on the actual project needs raise the service efficiency of tower crane service providers and also increase the utilisation rate of tower cranes to some extent.

INDUSTRY OVERVIEW

The construction industry is the downstream market for tower crane service providers. For example, customers of tower crane service providers can be EPC contractors. Tower crane service providers typically bid for the tenders of EPC projects and then provide the one-stop lifting service to EPC contractors during the construction period. Major EPC projects in the downstream industry include commercial projects, infrastructure projects, residential projects and energy projects.

Industry value chain of tower crane service market

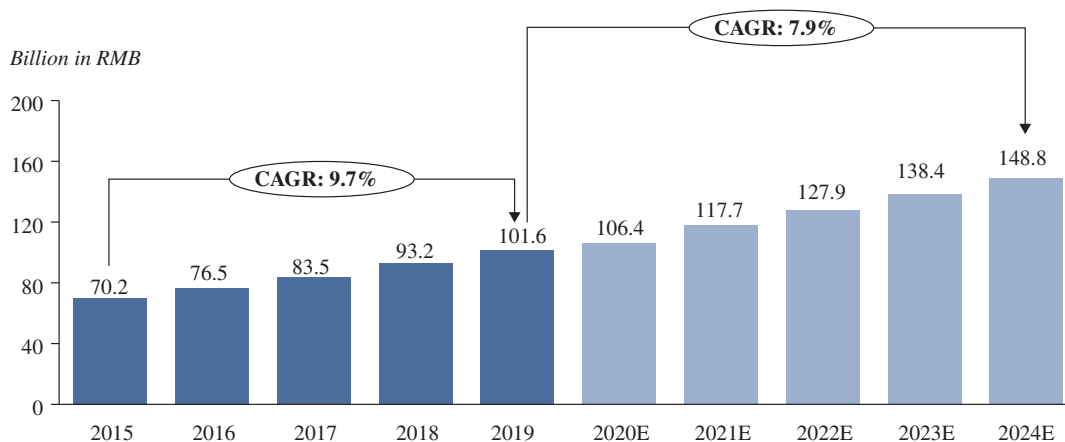


Source: Frost & Sullivan

Market size of the PRC tower crane service market

Driven by the steady economic growth and strong construction demand in the PRC, the tower crane service market in the PRC demonstrated rapid growth in the past several years. The revenue of tower crane service market in the PRC increased from approximately RMB70.2 billion in 2015 to approximately RMB101.6 billion in 2019, representing a CAGR of 9.7% from 2015 to 2019. Looking forward, along with the foreseeable stable growth of the construction industry, continuous urbanisation process and massive government promotion of prefabricated buildings, the tower crane service market in the PRC is anticipated to be further developed in the following years with a CAGR of approximately 7.9%, reaching the revenue of approximately RMB148.8 billion in 2024.

Revenue of tower crane service market (China), 2015-2024E



Source: Frost & Sullivan

INDUSTRY OVERVIEW

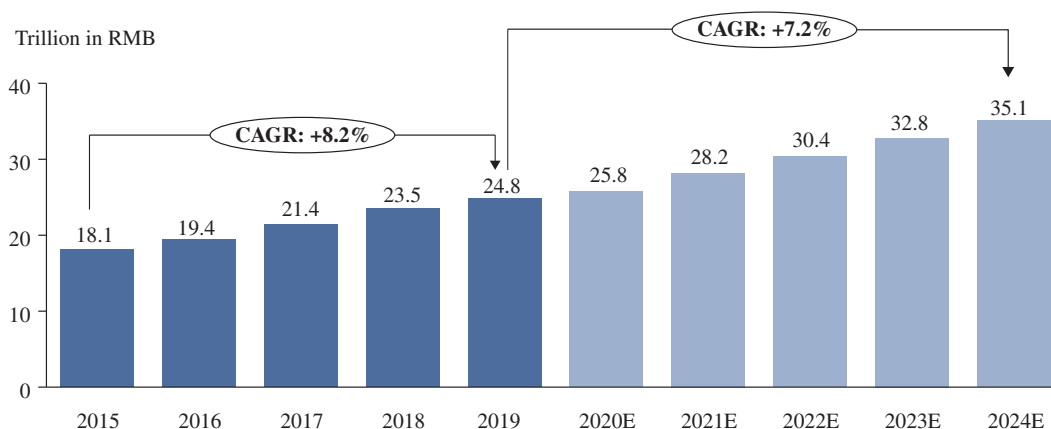
In addition, utilisation rate of a tower crane service provider in the tower crane service market is a quantitative index to evaluate the utilisation status of its tower cranes during a period time. Generally, the utilisation rate equals to the total TM of tower cranes that are on site and generating revenue divided by the total TM under management by the tower crane service provider during a period of time. In 2019, the industry's average utilisation rate of tower crane was approximately 64.0%.

Market drivers of the PRC tower crane service market

Sustainable growth of the construction industry

The market demand for tower crane services is closely related to the development of construction industry. Between 2015 and 2019, underpinned by the ever-increasing investment in the infrastructure and real estate construction projects, the aggregate output value of China's construction industry increased from approximately RMB18.1 trillion to approximately RMB24.8 trillion at a CAGR of approximately 8.2%. According to the 13th Five-year Plan for the Development of the Construction Industry (建築業發展“十三五”規劃(2016-2020年)), the PRC government aims to achieve a 7% annual growth rate of the total output value of the construction industry in the PRC, demonstrating the PRC government's determination to maintain the stable development of the construction industry. In the next five years from 2020, the aggregate output value of China's construction industry is expected to maintain a CAGR of 8%, and is forecasted to achieve approximately RMB35.1 trillion in 2024. The development of the construction industry in the PRC is expected to sustain the growth of tower crane service market in the PRC.

Total output value of the construction industry (China), 2015-2024E



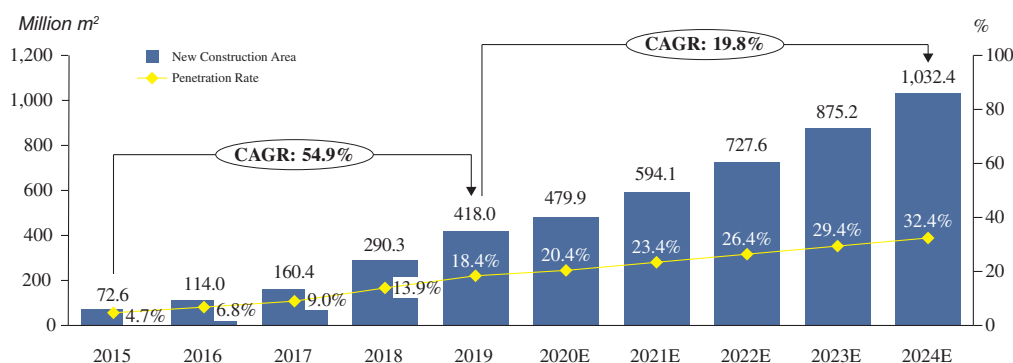
Source: National Bureau of Statistics, Frost & Sullivan

INDUSTRY OVERVIEW

Nationwide promotion of prefabricated building

Prefabricated building is a type of building consisting of factory-built components or units to be assembled on-site. Prefabricated building is widely promoted by the PRC government in recent years and embraces an opportunity of explosive growth in the PRC. According to the Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings (國務院辦公廳關於大力發展裝配式建築的指導意見) and Action Plan for the 13th Five-Year Prefabricated Building (“十三五”裝配式建築行動方案) issued by the General Office of the State Council and Ministry of Housing and Urban-Rural Development of the PRC, the proportion of prefabricated buildings in newly constructed buildings should be more than 15% by 2020 and 30% by 2026. The assembly of prefabricated buildings involves the handling of large and heavy building structural parts, such as prefabricated concrete units, which have significantly higher requirements on tower crane lifting capability and lifting accuracy compared to traditional construction methods, resulting in increase in demand for medium-to-large sized tower cranes with lifting capacity higher than 200 TM. Hence, the nationwide promotion of prefabricated buildings in the PRC is estimated to further generate the demand for medium-to-large sized tower cranes and, in turn, drives the development of tower crane service market in the PRC.

New construction area and penetration rate of prefabricated building (China), 2015-2024E



Note: Penetration rate of prefabricated building equals to the new construction area of prefabricated buildings divided by the total new construction area in the PRC and then multiplied by 100%.

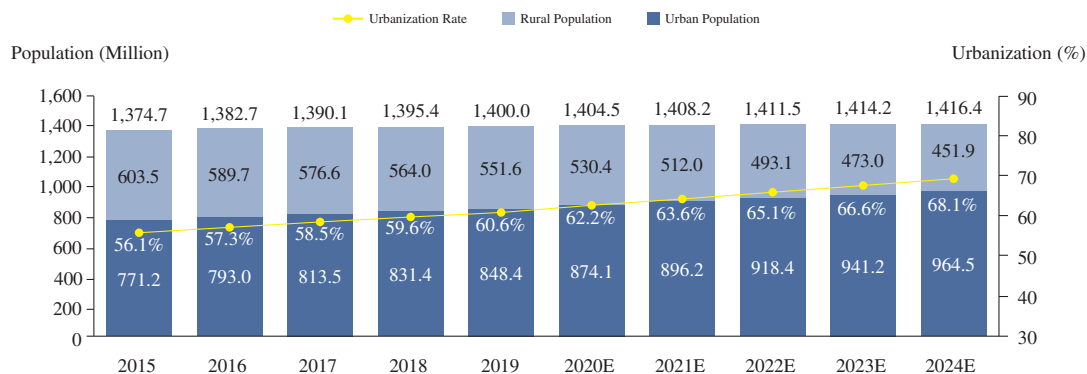
Source: Ministry of Housing and Urban-Rural Development, Frost & Sullivan

INDUSTRY OVERVIEW

Continuous urbanisation progress

Along with the steady growth of China's economy and the continuous escalation of urbanisation, the urbanisation rate is expected to increase from approximately 60.6% in 2019 to approximately 68.1% in 2024. As a result, the construction demand, particularly for residential construction, will maintain continuous growth and demand for tower crane services.

Population and Urbanization (China), 2015-2024E

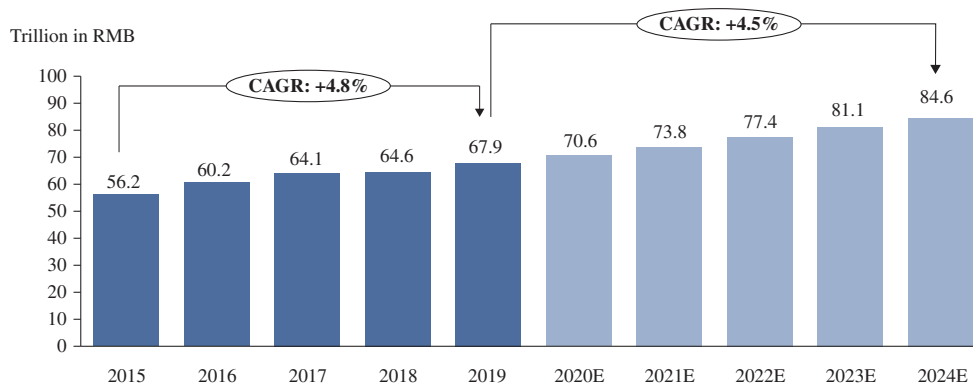


Source: National Bureau of Statistics, IMF, Frost & Sullivan

Increasing fixed asset investment

China's fixed asset investment has maintained solid growth from approximately RMB56.2 trillion in 2015 to approximately RMB67.9 trillion in 2019, representing a CAGR of approximately 4.8%. Continuous increase in fixed asset investment in China indicates the consistent market demand for infrastructure construction and real estate construction. The fixed asset investment in China is estimated to remain at a stable growth in the following years with a CAGR of approximately 4.5% from 2019 to 2024. Given the high correlation between fixed asset investment and the construction industry, the tower crane service market that serves for the construction industry is likely to be further developed.

Total investment in fixed assets (China), 2015-2024E



Source: National Bureau of Statistics, Frost & Sullivan

Government-driven regional development and investment initiatives

In recent years, there are a series of government-driven development initiatives proposed by the PRC central government as part of the national development strategies. Those initiatives include national-level investment initiatives, such as, the Belt and Road Initiative (一帶一路合作倡議) as well as regional development strategies, such as, the Regional Integration of Beijing-Tianjin-Hebei (京津冀一體化), the Regional Integration of the Yangtze River Delta (長三角一體化) and the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區). These development initiatives are expected to further promote the infrastructure investment and construction demand in relevant regions in the PRC, thereby also driving the growth of tower crane services market in the PRC.

Opportunities, threats and challenges of the PRC tower crane service market

Opportunities

Industrial consolidation: at the moment, China's tower crane service market is extremely fragmented with top five players only accounted for approximately 4.0% market share in terms of revenue in 2019. Going forward, China's tower crane service market is expected to be more concentrated. Large tower crane service providers with national business coverage are expected to gain more shares in the market by utilising their systematic management capabilities such as human resource construction, information technologies, and well-known brand images.

Threats and Challenges

Growing safety concerns: as a high-risk industry, tower crane accidents frequently happened in recent years, which have raised greater attention on the safety operation of tower cranes. According to the MOHURD, the number of work safety accidents occurred in housing and municipal engineering projects has increased from 442 in 2015 to 773 in 2019, while the death toll has increased from 554 in 2015 to 904 in 2019. With increasingly difficult large-scale construction such as prefabricated buildings, tower crane service providers are facing more challenges in controlling work safety during the process of the installation, operation and dismantling of tower cranes. Service providers need to build professional and normative safety management systems to avoid any possible accidents to remain competitive in the market.

Shortage of professional talents: tower crane service market is also a knowledge-intensive market. Service providers are usually demanding for talents with deep professional technical know-how in installation, operation, maintenance and dismantling. However, with the development of the tower crane service market, tower crane service providers are demanding for more professional talents. The shortage of talents in the market has become increasingly prominent.

INDUSTRY OVERVIEW

Development trends of the PRC tower crane service market

Applications of smart management systems: Along with the rapid development of information technology, technologies such as big data, cloud computing and Internet of Things are increasingly applied in the tower crane service market. Tower crane services providers are now working and developing integrated smart management systems to help them achieve higher operational efficiency and safety. The establishment of smart information platforms would significantly raise the technical level and service quality in the PRC tower crane service market.

COMPETITIVE LANDSCAPE ANALYSIS OF THE PRC TOWER CRANE SERVICE MARKET

The tower crane service market in the PRC is extremely fragmented with approximately over 7,000 players by the end of 2019, most of which are small-sized private companies and individual tower crane service providers equipped with tower cranes with low total lifting capacity in terms of TM. The top five players in the PRC tower crane service market only accounted for approximately 4.0% market share in terms of revenue in 2019.

The tower crane service providers in the PRC mainly compose of five types of players: (i) service providers affiliated to state-owned enterprises or construction companies; (ii) private companies; (iii) foreign-funded companies; (iv) service providers affiliated to tower cranes manufacturing companies; and (v) individual service providers.

In 2019, our Company achieved revenue of approximately RMB705.1 million based on the management account, ranking at the second place in terms of revenue, with a market share of approximately 0.7% among all tower crane service providers in the PRC in 2019.

Ranking of top 5 tower crane service providers by revenue (China), 2019

Ranking	Company	Identities and Background	Total Revenue (approximately RMB in Million)	Market Share (%)
1	Company A	➤ Established in 2001 and headquartered in Shanghai. Company A is a subsidiary of a listed company in the PRC. It can provide tower crane service and construction elevator service to construction contractors.	2,725.7	2.7%
2	The Company		705.1	0.7%
3	Company B	➤ Established in 1999 and headquartered in Beijing. Company B is a listed company on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統). ➤ It mainly provides tower crane service and construction elevator service.	301.7	0.3%
4	Company C	➤ Established in 2002 and headquartered in Beijing. Company C is a private company specializing in providing tower crane service.	246.1	0.2%
5	Company D	➤ Established in 1996 and headquartered in Beijing. Company D is a private company with over 20 years experience in lifting services. It mainly provides tower crane service and construction elevator service.	150.2	0.1%
Top 5 Subtotal:			4,128.8	4.0%
Others:			97,507.9	96.0%
Total:			101,636.7	100.0%

Source: Frost & Sullivan

INDUSTRY OVERVIEW

Competitive strengths of the Company

Leading market position: The Company is the one of the leading tower crane service providers in China's tower crane service market. By the end of 2019, the Company was the second largest tower crane service provider in China in terms of revenue. The Company is also the first and largest foreign-owned tower crane service provider in China. In addition, the Company has established a leading position for the provision of tower crane service in the nuclear power station and LNG terminal projects. The Company had participated in more than 50% of the nuclear power station projects and approximately 60% of the LNG terminal projects in the PRC by the end of 2019.

Nationwide business coverage: The Company is one of the few tower crane service providers that can offer nationwide one-stop tower crane solution services. Headquartered in Shanghai, the Company has expanded its tower crane service to cover most of the provinces in the PRC, except Tibet and Qinghai, over the years.

Stable and solid customer base: Through years of development, the Company has established strong relationships with well-established EPC contractors in the PRC. A majority of the Company's projects are subcontracted by Special-Tier and Tier-1 EPC contractors in the PRC. The Company have maintained long-term business relationships with large-scale state-owned special-tier EPC contractors for over a decade. The Company's stable and solid customer base is one of its strongest competitive strengths.

Large-scale tower crane fleet: The Company has built a large-scale tower crane fleet with more than 1,000 tower cranes branded under “達豐” by the end of 2019, which is the second largest tower crane fleet in China's tower crane service market. Combining with the Company's rich technical expertise and industry experience, the large-scale tower crane fleet enables the Company to provide integrated tower crane services covering a wide range of lifting capacities ranging from 80TM to 2,000TM with a focus on medium-to-large scale construction projects.

Entry barriers to the PRC tower crane service market

Qualifications: Due to safety concerns, the relevant governmental regulatory authorities implement qualification management for companies engaged in construction crane equipment services. Tower crane service providers need to obtain the Professional Contracting Qualification of Lifting Equipment Installation (起重設備安裝工程專業承包資質) from the Ministry of Housing and Urban-Rural Development. Qualified service providers should satisfy specific requirements in financial strength, net asset value, number of technical personnel, as well as project experience. The qualification requirement is a high barrier to new entrants.

Capital strength: The tower crane service market is an asset-heavy industry. Tower crane service providers need sufficient fund and capital to purchase tower cranes. Furthermore, service providers are able to achieve operational scale by assembling a tower crane fleet with enough tower cranes, which would require strong capital support. New entrants need to raise sufficient capital at the early stage, which sets a high entry barrier for them.

INDUSTRY OVERVIEW

Brand recognition: A well-known brand name is very important for tower crane service providers. The brand name with accumulated reputation through years of operation is a key success factor in the tower crane service market. To ensure the quality of construction projects, construction contractors normally have higher requirements on equipment performance, safety construction and construction techniques. In such case, construction contractors are more likely to choose service providers with well-known brand names. It is hard for new entrants to establish a good brand name in a short time.

Industry experience: Abundant industrial practical experience and mature construction techniques are important factors to capture customers in the tower crane service market. Tower crane service providers need long-term construction experience to form a mature and effective management model. It is quite difficult for new entrants in the market to achieve this goal in a short time.

KEY RAW MATERIALS PRICE TREND OF THE PRC TOWER CRANE SERVICE MARKET

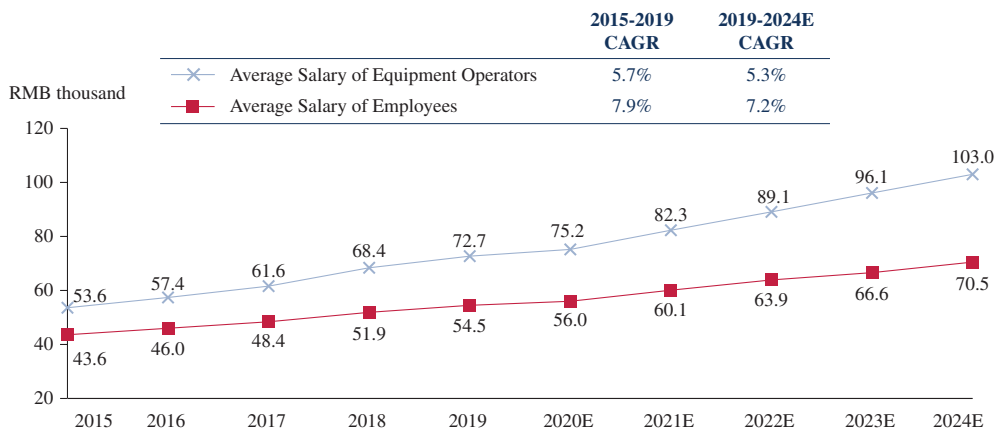
Labour cost

One of the major operation cost in the tower crane service market is labour cost. With the growth of disposable income in China, the average level of wages and benefits for employees in the PRC has shown an increasing trend over the past few years, and this trend is expected to continue in the near future. The average annual salary of employees in China increased from approximately RMB53.6 thousand in 2015 to approximately RMB72.7 thousand in 2019 with a CAGR of approximately 7.9% and is estimated to reach approximately RMB103.0 thousand in 2023 with a CAGR of approximately 7.2%. Similarly, the average annual salary of the equipment operators in construction industry has increased from approximately RMB43.6 thousand in 2015 to approximately RMB54.5 thousand in 2019, representing a CAGR of approximately 5.7%. Meanwhile, under the continuous development of economy as well as the tower crane service market in the PRC, the average annual salary is expected to see continuous increase in the future, representing a CAGR of approximately 5.3% from 2019 to 2024.

The PRC government in recent years put more emphasis on the rights and interests of labours in the construction industry, especially the rights and interests of migrant workers of labour subcontractors in the construction industry. According to the “Opinion on Comprehensively Managing the Problem of Non-payment of Migrant Workers” (關於全面治理拖欠農民工工資問題的意見) issued by the State Council of PRC, general contractors should take the overall responsibility of the payment of migrant workers from its labour subcontractors. Therefore, in recent years, general contractors and tower crane service providers in the construction industry are willing to recruit more qualified labours from the labour subcontractors as their self-owned employees.

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Average annual salary of employees and equipment operators in construction industry (China), 2015-2024E



Source: Ministry of Human Resources and Social Security, Frost & Sullivan

Equipment cost

Tower cranes are the major fixed-assets of tower crane service providers. The market price of tower cranes varies with the specifications of the tower cranes. Generally, tower cranes with larger lifting capacity are more expensive. In 2019, tower cranes with lifting capacity over 200TM are normally with a market price quotation of over RMB1,100 thousand per unit.

The market price of tower crane offered by tower crane manufacturers in China remained steady in the past years from 2015 to 2019 and the price is expected to remain stable in the following years. The main reason why the market price of tower cranes is expected to remain stable despite the positive industry outlook of the tower crane service industry is that the downstream demand for purchasing new tower cranes is relatively steady. Due to (i) the purchase cycle of new tower cranes and relative long depreciation period (normally 15 years), (ii) the relatively low industry utilisation rate (approximately 60% in recent years) of existing tower cranes, and (iii) the increasing service lives of existing tower cranes, the downstream demand for purchasing new tower cranes is expected to be steady, which in turn, results in a stable market price of purchasing new tower cranes in the near future.

Other than purchasing tower crane from tower crane manufacturers, tower crane service providers also rent tower cranes from other tower crane suppliers in order to meet some urgent or specific project needs. The rental price of tower cranes from other tower crane suppliers varies depending on the brands, models and customisations of tower cranes.

INDUSTRY OVERVIEW

Market price range of tower cranes (China), 2019

Tower Crane Scale by Lifting Capacity	Market Price Range (approximately RMB thousand/unit)
80TM	500~600
150TM	650~750
200TM	1,100~1,200
350TM	1,500~2,000
550TM	3,500~4,000
900TM	5,500~6,500

Source: Frost & Sullivan

The industry average service price of tower cranes per TM in use

The average service prices of tower cranes per TM in use of a tower crane service providers are generally an important indicator of operation capabilities. It is generally determined by several factors, including (i) the profile and mix of tower cranes with different lifting capacities – tower crane service providers that equipped with more market-demanded or medium-to-large sized tower cranes can generally charge higher average service prices of tower cranes per TM in use; (ii) tower crane solution design capabilities – tower crane service providers with strong tower crane solution design capabilities and rich project execution experience are highly preferred and can generally charge higher average service prices of tower cranes per TM in use; and (iii) brand of the equipment – tower crane service providers owing branded tower cranes can generally charge higher average service prices of tower cranes per TM in use. Generally, the leading tower crane service providers in the tower crane service industry have higher average service prices of tower cranes per TM in use than that of the small-scale tower crane service providers.

The industry average monthly service price of tower cranes per TM in use ranged from approximately RMB200 to RMB260, RMB230 to RMB290 and RMB260 to RMB340 for the three years ended 31 December 2017, 2018 and 2019, respectively. The average monthly service price of tower cranes per TM in use in the industry had showed a substantial growth during these past three years, mainly due to the increasing labour cost and demand for medium-to-large sized tower cranes.

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OVERVIEW OF PRC LAWS AND REGULATIONS

The relevant certain major laws and regulations applicable to the operations and business of our Company in the PRC are summarised below:

Laws and Regulations on Foreign Investment

Catalogue for the Guidance of Foreign Investment Industries

Investment in the PRC by foreign investors and foreign-invested enterprises shall comply with the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (《外商投資產業指導目錄》(2017年修訂)) (the “**Catalogue**”), which was last amended and issued by the National Development and Reform Commission and MOFCOM on 28 June 2017 and became effective since 28 July 2017. The Catalogue divides the foreign investment industries into three categories of encouraged industries, restricted industries and prohibited industries. According to the Provisions Guiding Foreign Investment Direction (《指導外商投資方向規定》) promulgated by the State Council on 11 February 2002 and became effective since 1 April 2002, any industry not listed in the Catalogue is a permitted industry unless otherwise prohibited or restricted by other PRC laws or regulations. The finance leasing industry and tower crane leasing industry where the Company operates fall within the permitted category in accordance with the Catalogue.

The National Development and Reform Commission and the MOF promulgated the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》) on 30 June 2019 with effect from 30 July 2019, which substitutes the encouraged foreign investment industries in the Catalogue.

Special Administrative Measures (Negative List) for the Access of Foreign Investment

Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018 Revision) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**2018 Negative List**”) was promulgated by the National Development and Reform Commission and the MOFCOM on 28 June 2018 and became effective since 28 July 2018. Since the date of the release of the 2018 Negative List, the list of restricted and prohibited categories in the original Category shall be repealed simultaneously, and the list of encouraged category shall continue to be implemented. Management of foreign investment in the areas beyond the 2018 Negative List shall be implemented in accordance with the principle of equality between domestic and foreign investment.

On 30 June 2019, the National Development and Reform Commission and the MOFCOM promulgated Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019 Revision) (《外商投資准入特別管理措施(負面清單)(2019年版)》) (the “**2019 Negative List**”), which has been effective from 30 July 2019, and abolished the 2018 Negative List. The 2019 Negative List further reduces the scope for the access of foreign investment and expands the foreign investment scope. The finance leasing industry and tower crane leasing industry where the Company operates were not included in the both negative lists.

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On 23 June 2020, the National Development and Reform Commission and the MOFCOM promulgated Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Revision) (外商投資准入特別管理措施(負面清單)(2020年版)) (the “**2020 Negative List**”), with effect from 23 July 2020, which abolishes the 2019 Negative List on the same date. The 2020 Negative List further reduces the scope for the access of foreign investment and expands the foreign investment scope.

Foreign Investment Law of the People’s Republic of China

Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was promulgated by SCNPC on 15 March 2019 and become effective on 1 January 2020. After the Foreign Investment Law came into force, the law on wholly foreign-owned enterprises (《中華人民共和國外資企業法》), the law on Sino-foreign equity joint ventures (《中華人民共和國中外合資經營企業法》) and the law on Sino-foreign contractual joint ventures (《中華人民共和國中外合作經營企業法》) have been repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (hereinafter referred to as foreign investors) directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law: 1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; 2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in China alone or jointly with other investors; 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

On 26 December 2019, the State Council issued the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國外資企業法實施細則》) have been repealed simultaneously.

On 30 December 2019, the MOFCOM issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on 1 January 2020. After the Measures for the Reporting of Foreign Investment Information came into effect, the Interim Measures on the Administration of Filing for Establishment and Change of Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) has been repealed simultaneously. Since 1 January 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

REGULATORY OVERVIEW

Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors

Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (hereinafter referred to as the “**Circular 10**”) was promulgated by the MOFCOM, State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, State Administration for Industry and Commerce, China Securities Regulatory Commission, the State Administration of Foreign Exchange on 8 August 2006 and became effective on 8 September 2006, and last revised and became effective on 22 June 2009. Foreign investors conducting merger and acquisition of domestic enterprises, namely, foreign investors purchase the shareholder’s equity interests of domestic non-foreign investment enterprises (hereinafter referred to as the “**Domestic Company**”) or subscribe for the capital increase of a Domestic Company, so that the Domestic Company shall be changed into a foreign-invested enterprise; or, a foreign investor shall establish a foreign-invested enterprise and purchase the assets of a domestic enterprise through the enterprise by way of agreement and operate the assets; or, a foreign investor shall purchase the assets of a domestic enterprise through the agreement and invest the assets to establish a foreign-invested enterprise to operate the assets, shall comply with the provisions of Circular 10. According to Circular 10, if a foreign investor merges and acquires a domestic enterprise to establish a foreign-invested enterprise, it shall, with the approval of the examination and approval authority, go through the registration of alteration or registration of establishment with the registration administration authority. After the implementation of the Interim Measures, the relevant provisions of the Interim Measures shall apply to the merger and acquisition of domestic enterprises by foreign investors, except for the special access management measures as stipulated by China.

Provisions on Investment Companies of Foreign Investors

MOFCOM promulgated the Provisions on the Establishment of Investment Companies by Foreign Investors (《關於外商投資舉辦投資性公司的規定》) on 13 February 2004 and last amended it on 28 October 2015, with effect on the same date, and MOFCOM and the SAFE jointly issued the Notice of MOFCOM and SAFE on Certain Measures of Further Improving the Management of Investment Companies of Foreign Investors (《商務部、外匯局關於進一步完善外商投資性公司有關管理措施的通知》) on 8 December 2011. According to relevant requirements, the establishment of an investment company by foreign investors shall meet the requirements of the provisions and shall be submitted to the MOFCOM for examination and approval after approved by the competent department of commerce of the province, autonomous region, municipality and the municipality with independent planning status. Investment companies shall not directly engage in production activities. At least US\$30 million out of the registered capital of an investment company shall be as the capital contribution to the newly established foreign-invested company, or as the capital contribution to the outstanding capital contribution of its parent company or affiliated company that has invested in the establishment of a foreign-invested company (which has completed the procedures of equity transfer according to law), or as the capital contribution of the increased portion of the registered capital, or as the investment for the establishment of an R&D center and other institutions, or used to acquire the equity of the shareholders of the company in the PRC (excluding the equity formed by the paid up capital contribution of the parent company or its affiliated company of the investment company).

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Loans of an investment company of foreign investors from domestic institutions shall not be used for domestic reinvestment. An investment company of foreign investors may use its RMB profits as well as legal income from recovery investment ahead of time, liquidation, equity transfer and capital reduction obtained within the territory of China directly for domestic investment after being approved by the local foreign exchange bureau; a foreign investor may also invest in (or increase) with its above legal income in the registered capital of the investment company for domestic investment.

Company Law of the People's Republic of China

The Company Law of the People's Republic of China (《中華人民共和國公司法》) (the “**Company Law**”) was promulgated by SCNPC on 29 December 1993 and became effective on 1 July 1994. It was last amended on 26 October 2018 and became effective at the same date. The legal entities established and operated in the People's Republic of China are subject to the Company Law. The company referred to in the Company Law is a limited liability company and a joint stock limited company established in accordance with the law within the territory of China. For the establishment of a company, an application for establishment registration shall be filed with the company registration authority in accordance with the law; in case of any change in the items recorded in the company's business license, the company shall go through the change registration procedures in accordance with the law, and the company registration authority shall issue a new business license. The Company Law shall also apply to limited liability companies and joint stock limited companies with foreign investment; unless otherwise provided in the laws on foreign investment, the provisions shall apply.

According to the provisions of the Company Law, when a company distributes its profit after tax for the current year, 10% of the profit shall be put aside into the statutory reserve of the company until the accumulated amount of the statutory reserve reaching at least 50% of the company's registered capital. After the statutory reserve is put aside from the after-tax profit, any discretionary reserve can be set aside from the after-tax profit, if resolved by a shareholders' meeting or a general meeting. The remaining after-tax profit of the company after making up for losses and putting aside the reserves may be distributed according to law or the articles of association.

Under the Interim Regulations on Enterprise Information Publicity (《企業信息公示暫行條例》) promulgated by the State Council on 7 August 2014 and became effective on 1 October 2014, an enterprise shall, from January 1 to June 30 of each year, submit the annual report for the previous year to the industrial and commercial administrative department via the enterprise credit information publicity system and publicize the same to the society.

Laws and Regulations on Finance Leasing Enterprises

The Administrative Measures for Finance Leasing Enterprises

MOFCOM promulgated the Administrative Measures for Finance Leasing Enterprises (《融資租賃企業監督管理辦法》) on 18 September 2013, which was effective on 1 October 2013. According to the measures, the MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing companies. A finance leasing company may conduct its finance leasing activities by way of a direct lease, sublease, leaseback, leveraged lease, entrusted lease and joint lease within the limits of relevant laws, regulations and rules. A finance leasing company may engage in the purchase of leased properties, disposal of residual value of leased properties, maintenance of leased properties, lease transaction consultancy and guarantee services, assignment of accounts receivable to a third party institution, receiving lease deposits and other businesses approved by the competent authority, which are related to finance leasing and leasing business. A finance leasing company shall not engage in deposit taking, lending or entrusted lending, and is prohibited from carrying out illegal fund-raising activities under the disguise of finance leasing in any circumstances.

Measures on the Administration of Foreign Investment in the Leasing Industry

The Measures on the Administration of Foreign Investment in the Leasing Industry (《外商投資租賃業管理辦法》), which was promulgated by MOFCOM on 3 February 2005 and became effective on 5 March 2005, and was last amended and became effective on 28 October 2015, applies to the establishment of foreign-invested enterprises by foreign companies, enterprises and other economic organisations (the “**foreign investors**”) in the form of sino-foreign equity joint ventures, sino-foreign contractual joint ventures and wholly-foreign-owned enterprises in the PRC that engage in the leasing business or finance leasing business and carry out operating activities.

According to the above measures, foreign-invested finance leasing companies must satisfy the following conditions: (i) the total assets of foreign investors shall be no less than US\$5.0 million; (ii) the term of operation normally shall not exceed 30 years; and (iii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and shall have no less than three years’ experience in the relevant business. The measures also require that the at-risk assets of a foreign-invested finance leasing company, which are the total amount of residual assets determined by deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall generally not exceed ten times of the company’s total net assets.

Nevertheless, the measures was abolished by the Order of MOFCOM to Terminate and Revise Certain Regulations (2018) (《商務部關於廢止和修改部分規章的決定(2018)》) promulgated by MOFCOM on 22 February 2018 and became effective on the same date.

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Interim Measures for Supervision and Administration of the Financial Leasing Companies

On 26 May 2020, China Banking and Insurance Regulatory Commission issued the Interim Measures for Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》). According to the Interim Measures for Financial Leasing Companies, “financial leasing companies may conduct some or all of the following businesses: (1) financial leasing business; (2) leasing business; (3) purchase, disposal of residual value and repair of leased assets related to financial leasing and leasing business, consulting of the leasing transaction, receipt of leasing deposit; (4) transfer of financial leases or leased assets or acceptance of financial leases or leased assets transferred; and (5) fixed income securities investment business, and financial leasing companies shall not conduct the following businesses or activities: (1) illegal fund-raising, acceptance or disguised acceptance of deposits; (2) extension of loans or entrusted loans; (3) placements with or from other financial leasing companies or in disguise; (4) financing or transferring assets through Internet Lending Information Intermediaries, private equity funds; and (5) other businesses or activities prohibited by laws and regulations, the CBIRC and local financial regulatory authorities in provinces, autonomous regions, and municipalities (hereinafter referred to as the provincial level).”

The Interim Measures for Financial Leasing Companies further provided that (1) the proportion of financial leasing companies’ financial leasing and other leasing assets shall not be less than 60% of total assets; (2) the total risky assets of a financial leasing company must not exceed eight times of the net assets; (3) the total amount of risk assets is determined based on the total assets of the enterprise minus cash, bank deposits and treasury bonds; and (4) the fixed income securities investment business carried out by a financial leasing company shall not exceed 20% of its net assets.

According to Interim Measures for Financial Leasing Companies, financial leasing companies should comply with the following regulatory indicators: (1) degree of concentration of single client financing – the balance of all financial leasing business of a financial leasing company to a single lessee shall not exceed 30% of its net assets; (2) degree of concentration of single group client financing – the balance of all financial leasing business of a financial leasing company to a single group shall not exceed 50% of its net assets; (3) ratio of a single related client – the balance of all financial leasing business of a financial leasing company to a related party shall not exceed 30% of its net assets; (4) ratio of all related parties – the balance of all financial leasing business of a financial leasing company to all related parties shall not exceed 50% of its net assets; and (5) ratio of a single related shareholder – the financing balance to a single shareholder and all its related parties shall not exceed the shareholder’s capital contribution in the financial leasing company, and at the same time meet the provisions of the Interim Measures for Financial Leasing Companies on the ratio of a single related client, and the CBIRC may make adjustments to the above indicators according to regulatory needs.

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Financial leasing companies that have been established before the implementation of the Interim Measures for Financial Leasing Companies shall meet the requirements stipulated in the Interim Measures for Financial Leasing Companies within the transition period prescribed by the provincial local financial supervision department. In principle, the transition period shall not exceed three years. Provincial local financial supervision departments can appropriately extend the transition period arrangement according to the actual situation of specific industries.

Our Directors confirmed that the Interim Measures for Financial Leasing Companies might only have impact on our subsidiary, Jiangsu Hengxingmao, which is primarily engaged in the financial leasing activities and is an entity filed on the National Financial Leasing Enterprise Management Information System (全國融資租賃企業管理信息系統). Jiangsu Hengxingmao is currently acting as our centralised internal entity to manage almost all the new purchases of tower cranes and equipment for the entities within our Group, mainly for the purpose of management efficiency. As advised by our PRC Legal Advisers, Jiangsu Hengxingmao currently has not entirely complied with all the requirements stipulated in the Interim Measures for Financial Leasing Companies. With the assistance of our PRC Legal Advisers, our Directors have immediately assessed the legal and also financial impact to our business operation and financials under the Interim Measures for Financial Leasing Companies and agreed to put in place a set of preliminary measures. Our Directors will, from time to time, monitor and adjust the implementation of our measures during the transition period of three years in accordance to any new updates of the relevant laws and/or regulations to ensure the entire compliance of Jiangsu Hengxingmao to the Interim Measures for Financial Leasing Companies in the near future.

Contract Law of the People's Republic of China

In order to safeguard the legal rights and interest of contracting parties and maintain the social and economic order, the Contract Law of the People's Republic of China (《中華人民共和國合同法》) was promulgated by SCNPC on 15 March 1999 and became effective on 1 October 1999. Chapter 14 of the Contract Law sets out relevant rules regarding finance leasing agreements. A finance leasing contract shall be in written form and shall include such terms as the name, quantity, specifications, technical performance and inspection method of the leased equipment, the lease term, composition, payment term, payment method and currency of the finance lease receivable and the ownership of the leased equipment upon expiration of the lease. The rental under the finance lease contract shall, unless otherwise agreed upon by the parties, be based on the substantial part or all of the cost for the purchase of the leased property as well as the reasonable profit for the lessor.

In addition, the Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Cases Involving Disputes over Finance Lease Contracts (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》), which was issued by the Supreme People's Court on 24 February 2014 and became effective on 1 March 2014, further provided clarification and guidance on the recognition and validity of finance lease contracts, the performance of contracts, the publicity of leased properties, the termination of contracts and responsibility for breach of contract.

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Laws and Regulations Relating to Taxation

Enterprise Income Tax Law of the PRC and its Regulations on the Implementation of Enterprise Income Tax Law of the PRC

The Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) was promulgated by SCNPC on 16 March 2007, became effective on 1 January 2008, and was last amended and came into force on 29 December 2018. The Regulations on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “**Regulations on the Implementation**”) was promulgated by the State Council on 6 December 2007, became effective on 1 January 2008, and was last amended and came into force on 23 April 2019. Domestic enterprises and foreign-invested enterprises are subject to the uniform 25% enterprise income tax rate according to the EIT Law.

Pursuant to the EIT Law, for a non-resident enterprise which is established under the laws of a foreign country (region) with the actual management body outside the PRC but with establishments or offices in the PRC or income originating from the PRC if without establishments or offices in the PRC, it shall pay enterprise income tax on the incomes derived from the PRC at the rate of 20% if has no establishments or offices inside the PRC, or whose income has no actual connection with its establishments or offices inside the PRC. According to the Regulations on the Implementation, non-resident enterprises shall be subject to the enterprise income tax at a reduced rate of 10% for the above incomes derived.

In addition, according to the EIT Law, non-resident enterprises’ income tax payable on the above income shall withholding tax at source and payers shall be the withholding agents. The State Administration of Taxation issued Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (hereinafter referred to as the “Withholding at Source Announcement”) on 17 October 2017, which took effect on 1 December 2017 and was last amended and took effect on 15 June 2018. The Withholding at Source Announcement makes detailed provisions on the relevant matters of source withholding for non-resident enterprises.

Interim Regulations of the PRC on Value-added Tax and Implementation Rules of Interim Regulations of the PRC on Value-added Tax

The Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) (the “Interim Regulations on Value-added Tax”) (《增值稅暫行條例》) was promulgated by the State Council on 13 December 1993, became effective on 1 January 1994, and were last amended and came into force on 19 November 2017, The Regulations on the Implementation of Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) was promulgated by the Ministry of Finance on 25 December 1993 with immediate effect, and last amended on 28 October 2011 and came into force on 1 November 2011. Pursuant to the Interim Regulations on Value-added Tax, the value-added tax (“VAT”) rate is 17% unless otherwise provided, for taxpayers selling goods, labour services, or tangible movable property leasing services or importing goods; 11%, for taxpayers selling

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transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovables, transferring the rights to use land, or selling or importing specified goods; 6% unless otherwise provided, for taxpayers selling services or intangible assets; zero, for taxpayers exporting goods, domestic entities and individuals selling services or intangible assets within the scope prescribed by the State Council across national borders.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) jointly issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and took effect on 1 May 2018 by the Ministry of Finance and State Administration of Taxation, (1) the 17% and 11% VAT rates applied to taxable sales behaviour or imported goods were adjusted to 16% and 10% respectively; (2) for taxpayers who purchase agricultural products for the production, sale or entrusted processing of goods subject to the 16% tax rate, the input tax shall be calculated at the rate of 12%; (3) for export goods for which the 17% tax rate was originally applicable and the export tax rebate rate was 17%, the export tax rebate rate shall be adjusted to 16%. The export tax rebate rate shall be adjusted to 10% for export goods and cross-border taxable behaviors whose tax rate is 11% and the export tax rebate rate is 11%.

For the purpose of advancing substantial cuts in VAT, the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs promulgated the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) on 20 March 2019, which became effective on 1 April 2019. According to this announcement, (I) the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer (hereinafter referred to as a “taxpayer”) shall be adjusted to 13%; and the tax rate of 10% applicable thereto shall be adjusted to 9%; (II) the deduction rate of 10% applicable to any taxpayer’s purchase of agricultural products shall be adjusted to 9%. Where a taxpayer purchases the agricultural products used for the production or consigned processing of goods to which the tax rate of 13% applies, the amount of input tax shall be calculated at the deduction rate of 10%; (III) as for exported goods and labour services to which the tax rate of 16% applies and whose export tax refund rate is 16%, the export tax refund rate shall be adjusted to 13%. As for exported goods and cross-border taxable acts to which the tax rate of 10% applies and whose export tax refund rate is 10%, the export tax refund rate shall be adjusted to 9%.

Issues Related to Income Tax on Equity Transfer by Non-Resident Enterprises

The SAT promulgated the Announcement of the State Administration of Taxation on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“**Circular 7**”) on 3 February 2015 which came into effect on the same date. Pursuant to Circular 7, where a non-resident enterprise indirectly transfers equities and other assets of a Chinese resident enterprise to avoid its enterprise income tax payment obligation by making an arrangement not for any reasonable business purpose, such indirect transfer shall be redefined in nature and recognized as the direct transfer of equities and other assets of the Chinese resident enterprise in accordance with the provisions of Article 47 of the EIT Law.

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Circular 7 was partially repealed by the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) promulgated by State Administration of Taxation on 17 October 2017 and implemented on 1 December 2017, and Decision of the SAT on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) issued on 29 December 2017 and implemented on 29 December 2017.

Laws and Regulations on Foreign Exchange

Administrative Regulations of the PRC on Foreign Exchange

In order to strengthen the management of foreign exchanges and maintain the balance of international payments, the State Council promulgated the Administrative Regulations of the PRC on Foreign Exchange (《中華人民共和國外匯管理條例》) on 29 January 1996, coming into effect on 1 April 1996, which was last amended, promulgated and became effective on 5 August 2008. Under the regulations, Renminbi is generally freely convertible for payment of current account items, such as dividend payments and trade-and service-related foreign exchange transactions.

However, capital items such as direct investments, issue or trade of negotiable securities or derivative products, foreign debts and foreign guarantee shall be subject to the approval of the competent department and handle the registration formalities at the foreign exchange administrative organ.

Provisions on the Settlement, Sale and Payment in Foreign Exchange

The People's Bank of China promulgated the Provisions on the Settlement, Sale and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) (the “**Provisions**”) on 20 June 1996, which took effect on 1 July 1996. The Provisions specifies the settlement, sale and payment of foreign exchange under the current account and capital account. According to the Decision of State Council on the Third Batch of Cancelling and Adjusting Administrative Approval Items (《國務院關於第三批取消和調整行政審批項目的決定》) released and implemented by the State Council on 19 May 2004, the items under “prepaid cargo amounts approval exceeding prescribed percentage and amounts for external payment” and “foreign exchange filling and external payment approval under carrying trade” have been cancelled.

Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies

On 4 July 2014, the State Administration of Foreign Exchange issued the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融

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資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”), which took effect on the same day. According to Circular 37, Chinese residents should apply to the SAFE for foreign exchange registration for overseas investment before making capital contributions to a special purpose company with lawful assets or rights at home and abroad. After the registered overseas special purpose company changes such basic information as shareholders, name and operation term of individual domestic residents, or changes such important matters as capital increase, capital reduction, equity transfer or replacement, merger or division of domestic residents, it shall timely go through the registration procedures of foreign exchange change of overseas investment to the SAFE. Only after the alteration registration of foreign exchange for overseas investment by domestic residents is completed can the subsequent business (including the remittance of profits and bonus) be handled.

Where the domestic resident fails to apply for relevant foreign exchange registration, the relevant SAFE authority shall order to make good the deficit and issue warnings and impose fines below RMB300,000 and RMB50,000 on institutions and individuals, respectively. In any event that such domestic resident fails to go through the relevant foreign exchange registration, if the capital outflow occurred, the relevant SAFE authority shall order to remit the foreign exchange funds involved back to China within a specified period of time and impose a fine of up to 30% of the foreign exchange amount for which foreign exchange controls have been evaded. Where the circumstances of the case are serious, a fine of between 30% and 100% of the foreign exchange amount for which foreign exchange controls have been evaded shall be imposed. For any cash inflow or foreign exchange settlement, the foreign exchange administrative authority shall order rectification and impose a fine up to 30% of the amount involved in the illegality and in the case of gross violation, impose a fine of 30% or more of but not exceeding the amount involved in the illegality. For any illegal foreign exchange settlement, the foreign exchange administrative authority shall order the funds already converted to foreign currency be reconverted and impose a fine up to 30% of the amount involved in the illegality.

Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policy for Direct Investment

On 13 February 2015, the State Administration of Foreign Exchange issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policy for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “Simplified Notice”), which came into effect on 1 June 2015 and was last revised and took effect on 30 December 2019. The Simplified Notice has further deepened the reform of foreign exchange management for capital account and promoted and facilitated the operation of cross-border investment funds. Simplified Notice cancelled foreign exchange registration approval under direct investment in China and foreign exchange registration under foreign direct investment, instead, the bank, in accordance with the notice and the attached Direct Investment in Foreign Exchange Business Operations Guide (《直接投資外匯業務操作指引》), may directly review foreign exchange registration under direct investment in China and foreign exchange registration under foreign direct investment

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(hereinafter called direct investment foreign exchange registration), where the SAFE, through banks, implements indirect supervision on direct investment foreign exchange registration. The Simplified Notice also simplified part of the handling procedures of direct investment foreign exchange business.

Relevant Provisions on Foreign Exchange Capital Settlement

The SAFE promulgated the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資金結匯管理方式的通知》) on 30 March 2015, which was effective from 1 June 2015 and was last revised and took effect on 30 December 2019. The circular stipulates conducting of the willingness settlement of foreign exchange capital by foreign-funded enterprises. The willingness settlement of foreign exchange capital means the settlement of foreign exchange capital in the capital accounts of foreign-funded enterprises that have been subject to the confirmation of cash capital contribution at foreign exchange authorities (or the entry registration of cash contribution at banks) may be handled at banks based on the enterprises' actual requirements for business operation. The proportion of willingness settlement of foreign exchange capital by foreign-funded enterprises is temporarily determined as 100%. The SAFE may, based on the international balance of payments, adjust the aforesaid proportion at appropriate times.

Foreign-funded enterprises may, when conducting the willingness settlement of foreign exchange capital, use their foreign exchange capital according to the system of foreign exchange settlement upon payment. When a bank handles each foreign exchange settlement transaction for an enterprise under the principle of foreign exchange settlement upon payment, it shall examine the authenticity and regulatory compliance of fund use in the enterprise's previous foreign exchange settlement (including the willingness settlement of foreign exchange capital and foreign exchange settlement upon payment).

On 9 June 2016, the State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), which took effect on the same date. The notice further stipulates and confirms the willingness settlement of foreign exchange capital to settle foreign exchange.

The State Administration of Foreign Exchange promulgated the Notice of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) on 23 October 2019, which took effect on the same day. The notice explicitly removes restrictions on domestic equity investment in non-investment foreign invested enterprises.

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Laws and Regulations on Labour and Social Security

The Labour Law of the PRC, the Labour Contract Law of the PRC and the Regulations on the Implementation of the Labour Contract Law of the PRC

The Labour Law of the PRC (《中華人民共和國勞動法》) was promulgated by SCNPC on 5 July 1994, became effective on 1 January 1995 and was last amended and came into force on 29 December 2018. The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) was promulgated by SCNPC on 29 June 2007, became effective on 1 January 2008 and was last amended on 28 December 2012 and came into effect on 1 July 2013. The Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) was promulgated by the State Council and came into effect on 18 September 2008. The Labour Law and the Labour Contract Law constitute the fundamental legal framework for protecting labour's rights and readjusting the relationship between labourers and employers. According to the Labour Law, labourers have the right to be employed on an equal basis, choose occupations, obtain remunerations for labour, take rests, have holidays and leaves, receive labour safety and sanitation protection, get training in professional skills, enjoy social insurance and welfare treatment, and submit applications for settlement of labour disputes, and other labour rights stipulated by law.

Pursuant to the Labour Contract Law, the employer must sign a written labour contract with the labourer. If the labour contract is not signed with the labourer in time, the employer shall pay economic compensations to the labourer. The Labour Law and the Labour Contract Law have stipulated the maximum number of working hours daily and weekly for labourers, payment for overtime pay, entitlement to holidays and the minimum wage. The employer shall establish and perfect its system for labour safety and sanitation, strictly abide by the state's rules and standards on labour safety and sanitation, educate labourers in labour safety and sanitation, prevent accidents in the process of labour, and reduce occupational hazards.

Laws and Regulations Relating to Social Insurance

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》) (the "Social Insurance Law") was promulgated by SCNPC on 28 October 2010, became effective on 1 July 2011 and was last amended and became into effect on 29 December 2018. The Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) was promulgated by the State Council, became effective on 22 January 1999 and was last amended and came into effect on 24 March 2019. Pursuant to the Social Insurance Law and the Interim Regulation on the Collection and Payment of Social Insurance Premiums, the state establishes a social insurance system including basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain material assistance from the state and society in case of old age, illness, work-related injury, unemployment and childbirth. Employees shall participate in the basic endowment insurance, the basic medical insurance and the unemployment insurance, and the insurance premiums shall be jointly paid by employers and employees. All employees shall participate in the employment injury insurance and the maternity insurance, and the insurance premiums shall be paid by employers. An employer

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shall carry out social insurance registration at the local social insurance agency and participate in social insurance. Employers shall declare and pay social insurance premiums on time and in full amount, and no postponement, reduction or exemption of payment shall be allowed without any force majeure or other statutory cause. Where an employer fails to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order it to pay or make up the deficit of premiums within a prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date. If it still fails to pay the premiums within the prescribed time limit, the relevant administrative department shall impose a fine of 1-3 times the outstanding amount upon it and the persons directly in charge and other persons directly held responsible shall impose a fine of not less than RMB500 but not more than RMB3,000.

With a view to guaranteeing the workers who are injured from accidents arising from work or who suffer from occupational diseases to obtain medical care and economic compensations, promoting the prevention and occupational recovery from work-related injuries, and dispersing the work-related injury risks of employers, the State Council promulgated the Regulation on Work-Related Injury Insurances (《工傷保險條例》) on 27 April 2003, which was effective on 1 January 2004. The existing Regulation on Work-Related Injury Insurances was last amended on 20 December 2010 and came into effect on 1 January 2011. Pursuant to the regulation, employees have the right to apply for ascertainment of work-related injuries and work capability assessment. Employees enjoy medical treatment for work-related injuries for accidental injuries or occupational diseases related to employment. If disabled due to work, employees have the right to enjoy the treatment of work-related injury insurances according to the level of disability.

In addition, the State Council issued the “Regulation on Unemployment Insurance” (《失業保險條例》) on 22 January 1999, which was effective from the same date. This regulation is for guaranteeing the basic life standards of the unemployed during unemployment and promoting their re-employment. In order to safeguard the legitimate rights and interests of female workers, ensure them to get necessary economic compensation and medical care during childbirth, balance the burden of insurance cost of birth between enterprises, the Ministry of Labour issued the Measures on the Maternity Insurance for Enterprises’ Workers for Trial Implementation (《企業職工生育保險試行辦法》) on 14 December 1994, which was in effect on 1 January 1995. On 6 March 2019, the general office of the State Council promulgated the Opinions of the Office of the State Council on Comprehensively Promoting the Implementation of the Merger of Maternity Insurance and the Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》), which took effect as of the date of promulgation. According to this opinion, the on-the-job worker that attends worker basic medical insurance synchronously attends birth insurance. Birth insurance fund merges into worker basic medical insurance fund for payment.

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Regulations on Management of Housing Provident Fund

Pursuant to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and came into effect on 3 April 1999, and was last amended and became effective on 24 March 2019, the employer shall go through the housing provident fund contribution registration with the housing provident fund management center, and apply for the establishment of housing provident fund account for employees. The proportion of employee and employer's housing provident fund shall not be less than 5% of the employee's monthly average salary in the previous year. The employer shall pay the housing provident fund on time and in full, which shall not be overdue or underpaid. If the employer does not register the contribution of the housing provident fund or does not establish housing provident fund account for its employees, the housing provident fund management center shall order it to be handled within a time limit. If failed within the time limit, a fine of not less than RMB10,000 but not more than RMB50,000 shall be imposed. If the employer fails to pay or pays less the housing provident fund within the time limit, the housing provident fund management center shall order it to pay within the time limit; if failed within the time limit, it may apply to the people's court for enforcement.

Laws and Regulations on Production Safety

Production Safety Law of the PRC

In order to strengthen production safety and prevent and reduce production safety accidents, the SCNPC promulgated the Production Safety Law of the PRC (《中華人民共和國安全生產法》) on 29 June 2002, which became effective on 1 November 2002. The Production Safety Law was last amended on 31 August 2014 and came into force on 1 December 2014. Pursuant to the Production Safety Law, the production and business units shall meet the conditions for production safety as required by relevant laws and regulations, and national standards or industrial specifications, and those that do not meet the conditions for production safety shall not engage in production and business activities. The major person in charge of the production and business unit shall be fully responsible for the production safety of the unit.

The production and business units shall provide their employees with education and training on production safety. Employees who fail the education and training programs on production safety may not commence working in their positions. Where a production and business unit uses the dispatched workers, it shall incorporate the dispatched workers into the unified management of the employees of the unit, and provide such dispatched workers with education and training on post safety operation procedures and safety operation skill. The labour dispatching unit shall provide the dispatched workers with necessary education and training on production safety.

The employees of the production and business units performing special functions must receive special training on the work safety in accordance with the relevant regulations of the state and obtain the relevant qualification certificate for performing the special functions.

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Any production and business unit that commits any of the following acts shall be ordered to make corrections within a time limit and may be imposed a fine of not more than RMB50,000; if it fails to make corrections within the time limit, it shall be ordered to stop production or business for rectification and shall be imposed a fine of not less than RMB50,000 but not more than RMB100,000, and the directly responsible person in charge and other directly responsible persons shall be imposed a fine of not less than RMB10,000 but not more than RMB20,000: (1) failing to set up organizations or be manned with persons for the control of work safety as required; (2) the major persons in charge and work safety administrative personnel of the units that manufacture, market or store dangerous articles, mines, metal smelting, construction or road transport units failing to pass the examinations as required; (3) failing to provide education and training on production safety to the employees, dispatched workers and intern students as required, or failing to truthfully inform the relevant matters concerning production safety as required; (4) failing to truthfully record the education and training on production safety; (5) failing to truthfully record the screening and control of hidden dangers of accidents or failing to inform the employees of related conditions; (6) failing to formulate emergency rescue plans for production safety accidents or failing to organize regular drills as required; and (7) the special operation personnel failing to receive special safety operation training and obtain corresponding qualifications before performing special functions as required.

Regulations on Production Safety Permits

Regulations on Production Safety Permits (《安全生產許可證條例》) was promulgated by the State Council on 13 January 2004 and became effective from the publication date, and last amended and became effective on 29 July 2014. In accordance with the provisions of the above regulation, the state implements a production safety permit system for mining enterprises, construction enterprises and production enterprises of hazardous chemicals, fireworks and crackers and civil explosives (hereinafter referred to as enterprises). The enterprises shall not engage in production activities without a production safety permit. Prior to carrying out any production, the enterprises shall apply to the production safety permit issuance and management authority to obtain a production safety permit. The production safety permit shall be valid for 3 years. If the production safety permit needs to be extended upon expiration, the enterprises should apply for renewal of the work safety permit 3 months before its expiration with the same production safety permit issuance and management authority.

Administrative Regulations on the Work Safety of Construction Projects

Administrative Regulations on the Work Safety of Construction Projects (《建設工程安全生產管理條例》) was promulgated by the State Council on 24 November 2003 and became effective from 1 February 2004. In accordance with the provisions of the above regulation for construction projects such as civil engineering projects, construction projects, installation of wires, pipes and equipment and renovation projects, all constructors, surveyors, designers, contractors, supervisors and other parties involving in the work safety of construction projects must comply with the laws and regulations on production safe and ensure the production safety of construction projects, and shall be responsible for production safety in respect of the construction projects according to the laws.

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Laws and Regulations on Special Equipment

Special Equipment Safety Law of the PRC and Regulations on Safety Supervision of Special Equipment

The Special Equipment Safety Law of the PRC (《中華人民共和國特種設備安全法》) was promulgated by SCNPC on 29 June 2013 and took effect on 1 January 2014. The Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) was promulgated by the State Council on 11 March 2003 and took effect on 1 June 2003, which was last revised on 24 January 2009 and took effect on 1 May 2009. The Special Equipment Safety Law and Regulations on Safety Supervision of Special Equipment have required that any entity using special equipment shall use special equipment which has obtained production license and has passed the inspection. Any entity using special equipment shall carry out regular maintenance and periodic self-inspection on special equipment used and shall make the records. Any leasing entity of special equipment shall not lease any special equipment without obtaining production licensing or which has been weeded out explicitly by the state and obsolete special equipment as well as special equipment not having maintenance according to safety technical specifications and special equipment which has not gone through or has failed the inspection. Management for the use and maintenance obligations during the lease term of special equipment shall be borne by the leasing entities except as otherwise provided by laws or agreed by the parties involved.

Any entity using special equipment shall, in accordance with safety technical specifications, request for regular inspection to the relevant special equipment inspection and test agencies one month prior to the expiry of the inspection validity period of the special equipment. Special equipment which has not gone through or has failed regular inspection shall not continue to be used.

Administrative Provisions on Safety Supervision of Construction Hoisting Machinery, Measures for the Record and Registration of Construction Hoisting Machinery, Standards of Qualification Grades for Professional Contractors of Hoisting Equipment Installation Projects and Licensing Rules for Installation, Renovation and Maintenance of Electromechanical Special Equipment (Trial)

In addition to the above-mentioned laws and regulations on the safety of special equipment, the Ministry of Construction promulgated the Administrative Provisions on Safety Supervision of Construction Hoisting Machinery (《建築起重機械安全監督管理規定》) on 28 January 2008, which became effective on 1 June 2008. The provisions clarify the unit that possesses construction hoisting machinery for leasing prior to its first leasing and the unit that purchases construction hoisting machinery for own use prior to its first use should apply for registration with the competent construction department of the local people's government at or above the county level where the unit has been registered for industry and commerce, with its special equipment manufacturing license for construction hoisting machinery, product qualification certificate and certificate of manufacturing supervision and inspection. The Measures for the Record Registration of Construction Hoisting Machinery (《建築起重機械備案登記辦法》), which was promulgated by the Ministry of Construction on 18 April 2008 and

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took effect on 1 June 2008, also emphasized the aforementioned requirements for the record. At the same time, the measures also stipulated that the construction crane use units shall file within 30 days of the date of construction crane installation acceptance inspection, to the local people's government at or above the county level construction competent departments for the registration of use.

Pursuant to the Administrative Provisions on Safety Supervision of Construction Hoisting Machinery, units that install or dismantle construction hoisting machinery shall obtain relevant qualifications issued by the competent construction authorities and the safety production licenses for construction enterprises in accordance with the laws, and undertake the construction hoisting machinery installation and disassembly projects within the scope of their qualifications. The specific qualification standards shall refer to the provisions of the Qualification Standards for Professional Contracting of Hoisting Equipment Installation Projects (《起重設備安裝工程專業承包資質標準》) in the Qualification Standards for Construction Enterprises (《建築業企業資質標準》) issued by the MOHURD on 6 November 2014 and effective on 1 January 2015, which was then revised on 14 October 2016 and effective on 1 November 2016.

In addition, according to the Licensing Rules for Installation, Renovation and Maintenance of Electromechanical Special Equipment (Trial) (《機電類特種設備安裝改造維修許可規則(試行)》) promulgated and implemented on 8 August 2003, which was last revised and come into effect on 24 March 2016, units that are engaged in the installation, renovation and maintenance of electromechanical special equipment such as the elevator, hoisting machinery, passenger cableways and large amusement facilities (hereinafter referred to as the electromechanical special equipment) and daily maintenance of elevators (hereinafter referred to as the construction units), must obtain the License for Installation, Renovation and Maintenance of Special Equipment (《特種設備安裝改造維修許可證》) (hereinafter referred to as the License), and carry out corresponding work within the scope permitted by the license. After installation, renovation and major maintenance, the construction units must carry out strict self-inspection for the special equipment in accordance with the relevant safety technical specifications and standards. The self-inspection period for elevators, passenger ropeways, large amusement facilities, tower cranes and lifters shall be 6 months.

Administrative Measures for the Supervision of the Operating Personnel of Special Equipment and Administrative Regulations on the Operating Personnel of Special Equipment at Construction Sites

In order to enhance the supervision and management of the operating personnel of special equipment, standardize the procedures for the examination of and licensing for the operating personnel and ensure the safe operation of special equipment, the Administrative Measures for the Supervision of the Operating Personnel of Special Equipment (《特種設備作業人員監督管理辦法》) was issued on 10 January 2005 and became effective on 1 July 2005, and was last amended on 3 May 2011, the amendments to which became effective on 1 July 2011. According to the Administrative Measures, the operating personnel and relevant managerial staff of the boilers, pressure vessel (including gas cylinders), pressure pipelines, elevators, lifting machinery, passenger ropeways, large-scale amusement devices and non-road motor vehicles,

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as well as other special equipment, collectively the operating personnel of special equipment, may not engage in corresponding operations or management until they pass the examination and obtain the Certificate of the Operating Personnel of Special Equipment (《特種設備作業人員證》). Where the operating personnel of special equipment without obtaining the Certificate of the Operating Personnel of Special Equipment carry out the operations or an employer fails to provide safety education and trainings to the operating personnel of special equipment, the employer shall be punished.

In addition, the Ministry of Housing and Urban-Rural Development published the Administrative Regulations on the Operating Personnel of Special Equipment at Construction Sites (《建築施工特種作業人員管理規定》) on 18 April 2008, which became effective on 1 June 2008. The Administrative Regulations required that the construction electricians, construction scaffolders, construction crane signal riggers, construction lifting machinery drivers, construction lifting machinery operator for installation and disassembly, cradle operator for installation and disassembly at height and other operating personnel of special equipment at construction sites may not engage in corresponding operations until they pass the examination arranged by the competent construction authorities and obtain the Certificate of the Operating Personnel of Special Equipment at Construction Sites (the “Certificate”). An employer shall perform the following duties: (I) to sign the labour contracts with the operating personnel of special equipment with valid Certificate; (II) to establish and implement the rules and procedures on safe operation of special equipment and relevant safety management system of that entity; (III) to notify the operating personnel of special equipment of the damages arising from the illegal operations in writing; (IV) to provide adequate and qualified safety protection articles and safe operation environment to the operating personnel of special equipment; (V) to provide safety education and trainings or continuing education on an annual basis to the operating personnel of special equipment as required, with a training hour of no less than 24 hours.

Laws and Regulations on Environmental Protection

Environmental Protection Law of the People’s Republic of China

According to the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) which was promulgated by the SCNPC and became effective on 26 December 1989 and was last amended on 24 April 2014 and became effective on 1 January 2015, discharging contaminated wastes must incorporate environmental protection work to control and appropriately deal with contamination and hazards to the environment, such as waste gas, water, deposits, dusts, pungent gases, radioactive matters as well as noise, vibration, magnetic radiation. Enterprises discharging contaminated wastes shall establish a system of accountability and clarify the responsibilities of the responsible person and its related personnel. Environmental protection facilities should be designed, constructed and used with the main part of the project. Enterprises discharging contaminated wastes must report to and register with the relevant environmental protection authority and pay discharge fees.

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The environmental protection authority shall impose different penalties against persons or enterprises in violation of the Environmental Protection Law depending on the individual circumstance. Such penalties include warning, fines, orders to correct and process within deadlines for cure, orders to suspend production, orders to re-install contamination prevention and cure facilities which have been removed or left unused, imposition of administrative actions against relevant responsible persons, or orders to close down those enterprises.

Law of the People's Republic of China on Environmental Impact Assessment

According to the Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) which was promulgated by the SCNPC on 28 October 2002, became effective on 1 September 2003 and last amended and became effective on 29 December 2018, in the case of a construction project that may cause significant environmental impacts, a report of environmental impacts shall be completed by a construction unit and includes a full assessment of environmental impacts. In the case of a construction project that may cause gentle environmental impacts, a report of environmental impacts shall be completed by a construction unit and includes an analysis or special assessment of environmental impacts. In the case of a construction project that may cause little environmental impacts, where an environmental impact assessment is unnecessary, an environmental impacts registration form shall be completed.

The construction unit may entrust the technical unit to carry out environmental impact assessment on its construction project and prepare the report of environmental impacts and environmental impacts registration form. The construction unit is responsible for the content and conclusion of the report of environmental impacts and environmental impacts registration form.

If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction unit shall not commence the construction. On the condition that major changes take place in the nature, scale, location or production techniques adopted of the construction project or measures to prevent pollution and prevent ecological damage after the approval of the environmental impact assessment documents, the construction unit should submit the environmental impact assessment documents for approval. In case of non-compliance with the approved environmental impact assessment document in the process of construction and operation, the construction unit shall make arrangements for post-evaluation of the environmental effects and take measures for improvements, and submit a report to the department for original examination and approval of the document for the record.

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The Environmental Protection Tax Law of the PRC and Regulation on the Implementation of the Environmental Protection Tax Law of the PRC

The Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法》) was promulgated by the SCNPC on 25 December 2016, which became effective on 1 January 2018 and last amended and became effective on 26 October 2018. The Regulation on the Implementation of the Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法實施條例》) was promulgated by the State Council on 25 December 2017, which became effective on 1 January 2018. According to the Environmental Protection Tax Law and its regulations, within the territory of the PRC and other sea areas under the jurisdiction of the PRC, the enterprises, public institutions and other producers or operators that directly discharge pollutants to the environment such as air pollutants, water pollutants, solid wastes and noises as prescribed shall be the taxpayer of the environmental protection tax and shall pay environmental protection tax.

Law of Prevention and Treatment of Water Pollution of the People's Republic of China

According to the Law of Prevention and Treatment of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》) which was promulgated by SCNPC on 11 May 1984 and became effective on 1 November 1984, and last amended on 27 June 2017 and became effective on 1 January 2018, production operators who directly or indirectly discharge industry wastes into the water shall obtain pollutant discharge permits. Enterprises shall adopt effective measures to collect and treat all the generated wastewater to prevent environmental pollution when discharge industry wastes. Industrial wastewater containing toxic and harmful water pollutants shall be collected and treated separately, and shall not be diluted and discharged.

Regulations Governing Environmental Protection in Construction Projects and Interim Measures on the Administration of Acceptance Inspection of Construction Project Environmental Protection

Pursuant to the Administrative Regulations on the Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the state Council on 29 November 1998 and became effective on the same date and last amended on 16 July 2017 and became effective on 1 October 2017, and the Interim Measures on the Administration of Acceptance Inspection of Construction Project Environmental Protection (《建設項目竣工環境保護驗收暫行辦法》) promulgated and implemented on 20 November 2017, an environment impact report, a report table or a registration form shall be prepared based on the potential impact of the construction project on the environment and submitted to the administrative competent authority for approval. Simultaneous design, construction and putting-into-operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project.

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After the completion of the construction project for which the environmental impact report and environmental impact report table have been prepared, the construction unit shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, carry out the acceptance of the supporting environmental protection facilities and prepare the acceptance report. The supporting environmental protection facilities shall not be put into production or use until they have passed the inspection and acceptance; those that have not passed the inspection and acceptance shall not be put into production or use. After a construction project is put into production or use, post assessment of environmental impact shall be carried out in accordance with the provisions of the competent administrative department of environmental protection under the State Council.

Regulations on Foreign Trade

Pursuant to the Foreign Trade Law of the People's Republic of China (《中華人民共和國對外貿易法》) promulgated by SCNPC on 12 May 1994 and became effective on 1 July 1994 and last amended and became effective on 7 November 2016, and the Measures for the Record-Filing and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the Ministry of Commerce on 25 June 2004 and became effective on 1 July 2004, and last amended and became effective on 30 November 2019, any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the MOFCOM of the PRC or an authority authorised by the MOFCOM, unless laws, administrative regulations and rules of the MOFCOM provide that it is unnecessary to go through such formalities. Where any foreign trade business operator fails to file for archival registration according to relevant provisions, the customs authority shall not handle the procedures of customs declarations or release of the import or export goods. If any registered item on the Registration Form is changed, the foreign trade business operator shall go through the change procedures of the Registration Form within 30 days in accordance with the relevant provisions. If it fails to go through the change procedures within the time limit, its Registration Form will automatically become invalid.

Pursuant to the Customs Law of the People's Republic of China (《中華人民共和國海關法》) promulgated by SCNPC on 22 January 1987 and became effective on 1 July 1987 and last amended on 4 November 2017 and became effective on 5 November 2017, all senders or receivers of import goods and export goods and customs declaration enterprises must register with the customs according to law when going through the customs declaration formalities. Without being registered with the customs according to law, they shall not engage in customs declaration business. Any enterprises engaged in customs declaration business but not registered with the customs will be banned, confiscated with illegal income and fined by the customs.

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Laws and Regulations on the Intellectual Properties

The Trademark Law of the People's Republic of China The Regulation on the Implementation of The Trademark Law of the People's Republic of China

The Trademark Law of the People's Republic of China (《中華人民共和國商標法》) was promulgated by SCNPC on 23 August 1982 and became effective on 1 March 1983, last amended on 23 April 2019 and implemented on 1 November 2019. The Regulation on the Implementation of The Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) was promulgated by the State Council on 3 August 2002 and became effective on 15 September 2002, last amended on 29 April 2014 and implemented on 1 May 2014. According to the requirements of the Trademark Law and the Regulation on the Implementation, a registered trademark means a trademark that has been approved by and registered with the trademark office, including marks on goods, marks for service, group logos, and certification marks. The trademark registrant shall have the exclusive right to use the trademark and shall be protected by law. A natural person, legal person or other organization that needs to obtain the exclusive right to use the trademark for its goods or services in the course of production and operation, shall apply to the trademark office for trademark registration. A registered trademark is valid for ten years starting from the date of registration approval. A trademark registrant intending to continue to use the registered trademark upon expiry of the period of validity shall go through the renewal formalities according to the relevant provisions. Where a registered trademark is assigned, the assignor and the assignee shall sign an assignment agreement and jointly file an application with the trademark office.

The Patent Law of the People's Republic of China Implementation Regulations on The Patent Law of the People's Republic of China

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) was promulgated by the SCNPC on 12 March 1984 and became effective on 1 April 1985 and newly revised on 17 October 2020 and will be effective on 1 June 2021. Implementation Regulations on the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》) was promulgated by National Intellectual Property Administration on 19 January 1985 and became effective on 1 April 1985, newly revised by the State Council on 9 January 2010 and became effective on 1 February 2010. According to the requirements of the Patent Law and its Implementation Regulations, since the date of invention, the term of the patent right for invention shall be 20 years and the term of the patent right for utility model or design shall be 10 years. The patentee shall pay an annual fee from the date of granting the patent right. After the patent for invention and utility model is granted, except as otherwise provided in the Law, no entity or individual may, without the permission of the patentee, exploit its patent, that is, it shall not manufacture, use, promise to sell, sell or import its patented products for production and business purposes, or use its patented methods and use, promise to sell, sell or import products directly obtained according to the patented methods. Where a patent right is transferred, the parties concerned shall enter into a written contract and register it with the patent administration department under the State Council, which shall make an announcement. The patent application right or the transfer of patent right shall take effect from the date of registration.

REGULATORY OVERVIEW

Regulations on the Protection of Computer Software and Measures for the Registration of Computer Software Copyright

The Regulations on the Protection of Computer Software (《計算機軟件保護條例》) was promulgated by the State Council on 4 June 1991 and came into force on 1 October 1991. It was last revised on 30 January 2013 and came into force on 1 March 2013. The software developed by Chinese citizens, legal persons or other organizations, whether published or not, shall enjoy copyright in accordance with these regulations. Software copyright is created on the date of completion of software development. The term of protection of the software copyright of a natural person shall be the life of the natural person and 50 years after his death, expiring on 31 December of the fiftieth year after his death. The software is co-developed and ends on 31 December, 50 years after the death of the last person to die. The term of protection of software copyright of a legal person or any other organization shall be 50 years, expiring on 31 December of the fiftieth year after the first publication of the software, but this regulation shall not protect software that has not been published within 50 years from the date of completion of its development.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) was promulgated by the national copyright administration on 20 February 2002 and came into effect on the same day. The measures are applicable to software copyright registration, software copyright exclusive license contract and transfer contract registration.

Laws and Regulations on High and New Technology Enterprises

The Administrative Measures for the Identification of New and High Technology Enterprises (《高新技術企業認定管理辦法》) was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Administration of Taxation on 14 April 2008 and came into force on 1 January 2008, which was last amended on 29 January 2016 and became effective on 1 January 2016. The new and high technology enterprises identified by the Measures may apply and enjoy preferential tax policies in accordance with the Enterprise Income Tax Law and its Implementation Rules (《企業所得稅法》及其《實施條例》), the Tax Collection and Administration Law of the People's Republic of China (《中華人民共和國稅收徵收管理法》) and the Implementation Rules on the Tax Collection and Administration Law of the People's Republic of China (《中華人民共和國稅收徵收管理法實施細則》) and other relevant provisions.

The Notice of the State Administration of Taxation on Issues Related to the Implementation of Preferential Income Tax Policies for New and High Technology Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) was promulgated by the State Administration of Taxation on 19 June 2017, which took effect on the date of promulgation. According to the Notice, after the qualification of high and new technology enterprise is received, an enterprise shall apply for tax concession from the year of issue printed on the certificate of high and new technology enterprise, and shall carry out filings with the administrative tax authority according to regulatory requirements.

REGULATORY OVERVIEW

Laws and Regulations on Negotiable Instruments

The Standing Committee of the NPC passed the Law on Negotiable Instruments of the People's Republic of China (《中華人民共和國票據法》) on 10 May 1995, which became effective since 1 January 1996, and last amended on 28 August 2004 and became effective on the same date. According to the Law on Negotiable Instruments of the People's Republic of China, this law shall apply to the activities such as bill of exchange, promissory note and cheque within the People's Republic of China. When making a negotiable instrument, the drawer shall sign it pursuant to the requirements prescribed by law and shall be liable according to its tenor. When exercising the rights on a negotiable instrument, the holder shall sign it according to legal procedures and present it. Other debtors signing the instrument shall be liable according to its tenor.

OVERVIEW OF SINGAPORE LAWS AND REGULATIONS

Tax Law And Regulations

Corporate Tax

Corporate taxpayers are generally subject to Singapore income tax on income accruing in or derived from Singapore, and on foreign-sourced income received or deemed to be received in Singapore (unless specified conditions for exemption are satisfied).

Foreign-sourced income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident company are exempted from Singapore tax provided that the following qualifying conditions are met:

- (a) such income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which such income is received;
- (b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received is at least 15.0%; and
- (c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the person resident in Singapore.

A company is regarded as a tax resident in Singapore if the control and management of the company's business is exercised in Singapore. In general, control and management of the company is vested in its board of directors and the place of residence of the company is generally where its directors meet.

REGULATORY OVERVIEW

The prevailing corporate income tax rate from year 2020 onwards is 17.0% with partial tax exemption and tax exemption for new start-up companies for normal chargeable income of up to S\$200,000 as follows:

- for new start-up companies (where any of the first three years falls in or after year 2020) -
 - 75.0% exemption of up to the first S\$100,000; and
 - 50.0% exemption of up to the next S\$100,000,
- for all other companies -
 - 75.0% exemption of up to the first S\$10,000; and
 - 50.0% exemption of up to the next S\$190,000.

The chargeable income of a company in excess of the first S\$200,000 (after the partial tax exemption or tax exemption for new start-up companies) will be fully taxable at the prevailing corporate tax rate.

Withholding Tax and Singapore Income Tax on Dividends

Singapore adopts the one-tier corporate tax system. The tax paid by the Singapore tax resident company is final and the after-tax profits of such company can be distributed to its shareholders as tax exempt (one-tier) dividends.

When a Singapore tax resident company pays dividends, the source of such dividends will be considered to be from Singapore. Currently, Singapore does not impose withholding tax on dividends paid to resident or non-resident shareholders.

Gains on Disposal of Ordinary Shares

In Singapore, there is no specific law or regulators to characterise a gain from the sale of shares to be revenue or capital in nature, which will depend on the facts and circumstances surrounding the purchase and sale of the shares and case law principles.

If based on the facts and circumstances surrounding the purchase and sale of shares, if the gain from the disposal of shares arises from or are otherwise connected with activities that the Singapore Comptroller regards as from carrying on of a trade or business of dealing in shares in Singapore, such gains should be subject to Singapore income tax. As the precise tax status of one shareholder will vary from another, shareholders are advised to consult their own professional advisers on the Singapore tax consequences that may apply to their individual circumstances.

REGULATORY OVERVIEW

Section 13Z of the Singapore Income Tax Act (“SITA”) provides certainty that gains derived from the disposal of ordinary shares that take place from 1 June 2012 to 31 December 2027 (both dates inclusive) by a divesting company will not be taxed if the divesting company has held at least 20% of the ordinary shares in the investee company have been held for a continuous period of at least 24 months prior to the disposal.

In addition, please note that this treatment does not apply in certain cases, including the disposal of shares by a partnership, limited partnership or limited liability partnership one or more of the partners of which is a company or are companies.

Stamp Duty

In Singapore, no stamp duty is payable on the subscription and issuance of shares.

There could, however, be stamp duty implications if any sale and purchase agreement for or instrument of transfer for shares held in a Singapore incorporated company is executed. Potential investors should seek professional advice based on the specific circumstances of their situation. As at the Latest Practicable Date, stamp duty payable is at 0.2% on the amount of the consideration or market value of the shares, whichever is the higher. The purchaser is liable for the stamp duty unless otherwise agreed by the parties to the transaction.

If there is no instrument of transfer is executed, such as in the case of transfer of shares that does not require an instrument of transfer to be executed, or if the instrument of transfer is executed outside of Singapore and not brought into Singapore, no stamp duty is payable. However, stamp duty may be payable if the instrument of transfer that is executed outside of Singapore which is subsequently brought into Singapore.

Goods and Services Tax

The sale of shares held in a Singapore incorporated company by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply that is not subject to GST. Any GST directly or indirectly incurred by the investor in respect of this exempt sale is a cost to the investor.

Where such shares are sold by a GST-registered investor in the course of or furtherance of a business carried on by such investor contractually to and for the direct benefit of a person belonging to a country other than Singapore, and that person is outside Singapore when the sale is executed, the sale should generally, subject to satisfaction of certain conditions, be considered a taxable supply subject to GST at zero-rate. Subject to the normal rules for input tax recovery, any GST incurred by a GST-registered investor in the making of this supply in the course of or furtherance of a business carried on by him may be recoverable from the Comptroller of GST as input tax.

REGULATORY OVERVIEW

Services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7.0%. Similar services rendered contractually to and for the direct benefit of an investor belonging outside Singapore should, generally subject to the satisfaction of certain conditions, be zero-rated for Singapore GST purposes.

Investors should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of shares held in a Singapore incorporated company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

The history of our Group can be traced back to the establishment of Shanghai Tat Hong in 2006 by Tat Hong International, one of our Controlling Shareholders, together with Shanghai Zhaomao Construction Machinery Co., Ltd.* (上海兆茂工程機械有限公司), a company owned by Mr. Sun, our non-executive Director and his brother-in-law, for developing the business in the provision of tower crane solution services in the PRC. Shanghai Tat Hong has become our indirect wholly-owned subsidiary since 2015.

To expand our business in the provision of one-stop tower crane solution services in different regions in the PRC, Tat Hong China, one of our Controlling Shareholders, acquired Huaxing Tat Hong and set up Zhongjian Tat Hong with an independent third party in 2007.

In 2010, Tat Hong Zhaomao was established and was owned as to 75% by Tat Hong China and 25% by a subsidiary of Yongmao, which subsequently transferred all its 25% equity interest in Tat Hong Zhaomao to Tat Hong China in 2014. Tat Hong China also acquired the entire interest in Jiangsu Hengxingmao from Yongmao in 2012 to act as a centralised internal leasing entity to manage almost all new tower crane and equipment purchases of our Group.

To further expand our tower crane solution services to Anhui market, Zhongjian Tat Hong together with Beijing Tat Hong established Changzhou Tat Hong in 2013. In 2017, we established Chongqing Tat Hong and Tat Hong Belt Road with a view to expanding our tower crane solution services to Chongqing city, the PRC and preparing our Group in serving projects related to or arising from the Belt and Road Initiative at the time.

For more information on the acquisition or establishment of our subsidiaries over the years in alignment with the expansion of our business in the provision of one-stop tower crane solution services in the PRC, please see the paragraphs headed “Establishment and development of the subsidiaries of our Company” below.

In December 2017, TH60 Investments, one of our Controlling Shareholders and Standard Chartered Private Equity Singapore Pte. Ltd (“**Standard Chartered**”) set up THSC Investments to acquire the shares of Tat Hong Holdings in its privatisation in Singapore. In August 2019, Standard Chartered transferred its shares of THSC Investments to Augusta Investments and ceased to be a shareholder of THSC Investments. Our Directors confirm that Augusta Investments, apart from being a shareholder of THSC Investments, has no other relationship with our Group.

Previous listings of Tat Hong Holdings

Tat Hong Holdings, one of our Controlling Shareholders, together with other members of the Private Group, primarily engage in different industries such as rental and sales of mobile cranes, crawlers and related accessories and heavy equipment plus related repair and maintenance services; manufacturing of metal precision components; manufacturing of oil exploration equipment and parts; conducting engineering work (fabrication, installation and repair of heavy equipment, marine and harbour craft); investment holding; storage, transport and logistic services; marine and harbour craft engineering works; and general wholesale trade in different parts of the world with limited operation in the PRC whereas our Group’s business and operations are predominantly located in the PRC. For further details of the Private Group and its business scope, please refer to the paragraphs headed “Relationship with Controlling Shareholders – Delineation of the business of our Group and the companies of the Controlling Shareholders”.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Tat Hong Holdings had previously been listed both on the Official List of Australian Securities Exchange Limited (“ASX”) (stock code: TAT) as a primary listing since September 1997 and on the Mainboard of SGX (stock code: T03) as a secondary listing since June 2000.

Owing to the facts that (i) the trading volume and turnover of the shares of Tat Hong Holdings on SGX had been relatively higher as compared with those of its shares on ASX; (ii) a larger proportion of the shares of Tat Hong Holdings were held by shareholders located in Singapore; and (iii) Tat Hong Holdings had been more active in equity fundraising exercises on SGX as compared with ASX, Tat Hong Holdings converted its secondary listing on SGX to a primary listing in April 2005.

After the said conversion, considering that (i) the trading volume and turnover of the shares of Tat Hong Holdings on SGX had been significantly higher as compared with the trading volume and turnover of its shares on ASX; (ii) Australian resident shareholders and shareholders whose holdings were recorded on the Australian share register comprised a very small proportion of the shareholders and issued share capital of Tat Hong Holdings; (iii) Tat Hong Holdings would be able to save additional compliance costs relating to the maintenance of a dual primary listing status on both ASX and SGX; and (iv) Tat Hong Holdings had not been engaged in any fundraising exercise through the ASX platform since its listing on ASX and its directors were then of the view that access to the Australian capital markets in the then foreseeable future to finance its operations may not be forthcoming, Tat Hong Holdings was voluntarily delisted from ASX in November 2005.

Considering that (i) the trading volume of the shares of Tat Hong Holdings had been generally low and a privatisation would allow its shareholders to liquidate and realise their investment in its shares in cash at a premium over the prevailing trading prices of the shares; (ii) delisting and privatisation of Tat Hong Holdings would allow more flexibility to Tat Hong Holdings to manage its business, optimise the use of its management and resources and facilitate the implementation of any strategic alternatives and/or operational changes; and (iii) it would be able to save expenses to be incurred for the maintenance of its listing status and focus its resources more on its business operations, Tat Hong Holdings was voluntarily delisted from SGX in July 2018 by way of a compulsory acquisition by THSC Investments. To the best knowledge of our Directors, at the time of the delisting of Tat Hong Holdings from SGX, its valuation was approximately SGD410.5 million and its price-to-book ratio was approximately 0.68x.

During the period when Tat Hong Holdings was listed on ASX and/or SGX, Tat Hong Holdings and its directors were not subject to any investigations, disciplinary actions or administrative penalties for non-compliance by any regulatory authority or involved in any material breach of the relevant rules governing ASX and/or SGX or other applicable laws and regulations, which would impugn on their directors’ integrity or competence; nor would it affect the listing status of Tat Hong Holdings at the material time. In particular, there were no non-compliance incidents and material breaches relating to our Group’s current listing business or its subsidiaries, our Directors or senior management. Save as disclosed in this section, our Directors are not aware of any other matters in relation to the previous listing of Tat Hong Holdings on and/or its delisting from ASX and SGX that should be brought to the attention of prospective investors.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below are the revenue, profit/loss and net assets of our Group and Tat Hong Holdings and its subsidiaries (“**Tat Hong Holdings Group**”) (as disclosed in its audited financial statements for the two financial years ended 31 March 2018 and 2019, and its unaudited financial statements for the financial year ended 31 March 2020 and the three months ended 30 June 2020) during the Track Record Period:

	For the year ended/as at 31 March			For the three months ended/ as at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue of our Group	549,127	656,003	744,921	204,888
Revenue of Tat Hong Holdings Group	2,436,524	2,547,379	2,312,133	587,352
Our Group's contribution to Tat Hong Holdings Group ^(Note 1)	22.5%	25.8%	32.2%	34.9%
Profit of our Group	51,069	68,336	76,459	27,599
Profit/(loss) of Tat Hong Holdings Group	(73,004)	(33,137)	(23,344)	9,834
Our Group's contribution to Tat Hong Holdings Group ^(Note 1)	-	-	-	-
Net assets of our Group	916,433	981,002	1,049,627	1,077,144
Net assets of Tat Hong Holdings Group	3,021,418	2,838,273	2,742,309	2,792,272
Our Group's contribution to Tat Hong Holdings Group ^(Note 1)	30.3%	34.6%	38.3%	38.6%

Note 1: Owing to (i) the difference in accounting standards adopted for our Group and Tat Hong Holdings Group, and (ii) that our revenue, profit/loss and net assets do not eliminate our transactions and balances with other entities of Tat Hong Holdings Group, while the revenue, profit/loss and net assets of Tat Hong Holdings Group are consolidated amounts with elimination of inter-company transactions and balances, the percentages of contribution are for illustration purpose only.

Note 2: To the best knowledge of our Directors, the loss incurred by Tat Hong Holdings Group during the three years ended 31 March 2018, 2019 and 2020 was primarily due to (i) poor market sentiment and demand for cranes and heavy equipment coupled with competitive pricing pressures in the ASEAN region, which affected its crane distribution business in the region; and (ii) delays in project commencement and the fact that projects undertaken were of a smaller scale, which affected its crane rental business in the ASEAN region and Australia. The loss for the year ended 31 March 2019 had substantially narrowed mainly due to Tat Hong Holdings Group's improved performance of its crane distribution business and general equipment rental business in Australia.

Our Group's proposed valuation and the valuation of Tat Hong Holdings

As disclosed in the paragraphs headed "Overview – Previous listings of Tat Hong Holdings" above in this section, to the best knowledge of our Directors, the valuation of Tat Hong Holdings at the time of its delisting from SGX was approximately SGD410.5 million, equivalent to approximately HK\$2,351.1 million with reference to the historical exchange rate at the material time. Meanwhile, our Group's expected market capitalisation is approximately HK\$2,018.7 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised). Our Directors consider that the proposed valuation of our Group is justified with reference to the valuation of Tat Hong Holdings at the time of its delisting from SGX and the proposed valuation of our Group is fair and reasonable because of the following:

- (a) according to Frost & Sullivan, driven by the steady economic growth and strong demand for construction works in the PRC, the tower crane service market in the PRC demonstrated rapid growth in the past several years. The revenue of the tower crane service market in the PRC increased from approximately RMB70.2 billion in 2015 to approximately RMB101.6 billion in 2019, representing a CAGR of approximately 9.7%. Looking forward, along with the foreseeable stable growth of the construction industry, continuous urbanisation process and the government's promotion of prefabricated buildings, the revenue of the tower crane service market in the PRC is anticipated to further increase in the following years at a CAGR of approximately 7.9%, reaching a revenue of approximately RMB148.8 billion in 2024;
- (b) a market-leading tower crane service provider in the PRC (the "market leader") comparable to our Group has seen substantial increase in its revenue, net profit and market capitalisation from 2017 to 2019, primarily due to expansion of its tower crane fleet; and
- (c) as the second largest tower crane service provider in the PRC in terms of revenue in 2019 according to Frost & Sullivan, our Group also benefited from the growth of the PRC tower crane service industry and our Group's net profit (excluding listing expenses) increased by approximately 80.3% from approximately RMB51.1 million for the year ended 31 March 2018 to approximately RMB92.1 million for the year ended 31 March 2020. As the utilisation rate of our Group's tower crane fleet was nearly 80% during the Track Record Period and given the significant market potential, our Directors believe that our Group can expand in a similar fashion as the market leader and enhance our revenue stream and profitability.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

MILESTONES OF OUR GROUP

The following table sets forth the important milestones in the development of the business of our Group up to the Latest Practicable Date:

Year	Milestone
2007	Our Group entered the Eastern regional market of the PRC for the provision of tower crane solution services
2008	Our Group entered the Southern regional market of the PRC for the provision of tower crane solution services
	Our Group purchased our first luffing jib tower crane
	Our Group entered the Northern regional market of the PRC for the provision of tower crane solution services
2010	Our Group developed its first equipment management and dispatch system (LEAP)
	Our Group entered the Northeastern regional market of the PRC for the provision of tower crane solution services
	The total capacity of our tower crane fleet reached 100,000 tonne metres and the number of tower cranes under our management reached 500
2011	Our Group entered the Southwestern regional market of the PRC for the provision of tower crane solution services
2012	Our Group entered the Northwestern regional market of the PRC for the provision of tower crane solution services
2013	Our Group implemented standardised operational procedures across all operating subsidiaries of our Group
2016	Our Group shifted its focus to larger tonne-meter tower cranes
2017	The total capacity of our tower crane fleet reached 200,000 tonne metre and the number of tower cranes under our management reached 1,000
2018	Our Group is the second largest tower crane solution service provider in the PRC in 2018 in terms of revenue according to Frost & Sullivan
	Our Group launched iSmartCon – an in-house developed management tool to improve our operational efficiency and service quality
2019	Our Group tapped into the refurbishment of tower cranes

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

For details of other honours and awards of our Group, please refer to the paragraphs headed “Business – Awards and recognition” in this prospectus.

PROPOSED TAIWAN LISTING IN 2015

Our Company had applied for listing of its shares on the Taiwan Stock Exchange Corporation (“TWSE”) (the “**Proposed Taiwan Listing**”), and had appointed a lead underwriter, which takes a similar role as a sponsor in a Hong Kong listing application, and submitted a listing application in August 2015. Our Group had sought the Proposed Taiwan Listing mainly because (i) the then directors of our Company at the material time believed that Taiwan’s capital market had a more positive perception of traditional industries, such as the tower crane industry and construction industry; and (ii) as advised by the then lead underwriter in the Proposed Taiwan Listing, investors in Taiwan capital market had a general preference for foreign-owned companies with Chinese operating background, which might lead to a better valuation of our Group at the time.

However, during the course of preparing for the Proposed Taiwan Listing, our management eventually deliberated that the Proposed Taiwan Listing might not be conducive to the needs of our Group taking into account the then global economic environment as well as the weak and volatile global equity markets, and any valuation of our shares at that point would not be commensurate with our intrinsic value, and decided to discontinue the Proposed Taiwan Listing in 2016.

For our current Listing in Hong Kong, our Company continues to engage Yuan Tai Law Offices to act as its legal advisers as to PRC law due to their familiarity with the Group’s business operations and their participation in the Proposed Taiwan Listing. Having engaged PricewaterhouseCoopers Taiwan as its reporting accountant in the Proposed Taiwan Listing, our Company has then engaged PricewaterhouseCoopers as its reporting accountant for its current Listing in Hong Kong, taking into account the different accounting standards in the two regions. For the other professional parties, our Company has engaged professional firms or companies different from those in the Proposed Taiwan Listing, after considering the relevant experience of these firms and companies in handling listing projects in Hong Kong.

Our Directors confirm that they are not aware of any significant irregularities or any other matters in relation to the Proposed Taiwan Listing that need to be brought to the attention of the Shareholders and prospective investors of the Company.

ESTABLISHMENT AND DEVELOPMENT OF THE SUBSIDIARIES OF OUR COMPANY

Our Company, which is the holding company of our Group, was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act on 26 August 2014 for the purpose of corporate restructuring by acting as the investment holding company of our Group’s portfolio of subsidiaries. As at the Latest Practicable Date, the

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

subsidiaries of our Company comprised Tat Hong Zhaomao, Jiangsu Hengxingmao, Shanghai Tat Hong, Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Chongqing Tat Hong and Ronghe Tat Hong established in the PRC; and Tat Hong Belt Road established in Singapore. Set out below is the brief corporate history of the subsidiaries of our Company.

Tat Hong Zhaomao

Tat Hong Zhaomao (formerly known as Tat Hong Zhaomao Investment Co. Ltd.* (達豐兆茂投資有限公司)) was established in Shanghai, the PRC on 23 April 2010 as a limited liability company. During the Track Record Period and up to the Latest Practicable Date, Tat Hong Zhaomao was the onshore holding company of certain PRC subsidiaries of our Group namely, Changzhou Tat Hong, Chongqing Tat Hong and Ronghe Tat Hong. As at the date of establishment, Tat Hong Zhaomao was held as to 75% by Tat Hong China, a Controlling Shareholder, and 25% by Fushun Yongmao Construction Machinery Co., Ltd* (撫順永茂建築機械有限公司), a wholly-owned subsidiary of the Yongmao Group. It had an initial registered capital of US\$30.0 million which was fully paid up by 23 March 2012. After various rounds of capital injection, Tat Hong Zhaomao's registered capital was increased to US\$62.7 million, which was fully paid up on or before 30 July 2018.

On 27 January 2014, Fushun Yongmao Construction Machinery Co., Ltd* transferred its 25% equity interest in Tat Hong Zhaomao to Tat Hong China at a consideration of approximately US\$52.0 million based on net asset value. After the completion of the above transfer, Tat Hong Zhaomao was held as to 100% by Tat Hong China and Tat Hong Zhaomao has become a wholly-foreign owned enterprise.

On 19 December 2014, Tat Hong China and our Company entered into a share transfer agreement pursuant to which Tat Hong China transferred its entire equity interest in Tat Hong Zhaomao to our Company at a consideration of approximately RMB280 million. After the completion of the above transfer on 17 March 2015, Tat Hong Zhaomao became a wholly-owned subsidiary of our Company.

Branch offices of Tat Hong Zhaomao

In order to facilitate the development of our operation in different regions in the PRC, Tat Hong Zhaomao established a branch office in Putuo district in Shanghai in February 2013, which was deregistered in August 2016. Our Directors confirm that the branch was deregistered due to a change in Tat Hong Zhaomao's development strategies. As confirmed by our Directors and concurred by our PRC Legal Advisers, such branch was not involved in any material claims, litigations or non-compliant incidents during the Track Record Period. In addition, the deregistration had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

As at the Latest Practicable Date, Tat Hong Zhaomao had one branch office in Changning district in Shanghai.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Jiangsu Hengxingmao

Jiangsu Hengxingmao was established in Jiangsu province, the PRC, on 14 July 2010 as a limited liability company. It is currently our Group's centralised internal leasing entity to manage the purchase of almost all our tower cranes and components and entered into financing arrangements with the relevant financial institutions.

As at the date of establishment, Jiangsu Hengxingmao was wholly owned by Yongmao. On 21 August 2012, Yongmao sold and transferred its entire equity interest in Jiangsu Hengxingmao to Tat Hong China at a consideration of approximately US\$2.6 million based on the then net asset value of Jiangsu Hengxingmao. After completion of the above transfer, Jiangsu Hengxingmao became wholly-owned by Tat Hong China. It had an initial registered capital of US\$10.0 million which was fully paid up by 25 March 2013.

On 7 January 2015, Tat Hong China entered into a share transfer agreement with our Company pursuant to which it transferred its entire equity interest in Jiangsu Hengxingmao to our Company at a consideration of approximately RMB75.8 million. After completion of the above transfer on 5 March 2015, Jiangsu Hengxingmao became a wholly-owned subsidiary of our Company.

On 7 June 2018, the registered capital of Jiangsu Hengxingmao was increased to US\$27.3 million by way of capital injection solely contributed by Tat Hong Zhaomao, which was fully paid up by 15 August 2018, and upon which, Jiangsu Hengxingmao was held as to approximately 63.37% by our Company and approximately 36.63% by Tat Hong Zhaomao.

Branch offices of Jiangsu Hengxingmao

As at the Latest Practicable Date, Jiangsu Hengxingmao has one branch office in Shanghai.

Shanghai Tat Hong

Shanghai Tat Hong (formerly known as Shanghai Tat Hong Equipment Rental Co., Ltd.* (上海達豐機械租賃有限公司)) was established in Shanghai, the PRC, with limited liability on 13 June 2006. It is principally engaged in the provision of tower crane solution services. It also provides back office services for our Group's business.

As at the date of establishment, Shanghai Tat Hong was held as to 60% by Tat Hong International, one of our Controlling Shareholders, and 40% by Shanghai Zhaomao Construction Machinery Co., Ltd.* (上海兆茂工程機械有限公司) (“**Shanghai Zhaomao**”), a PRC company owned as to 60% by Mr. Sun, our non-executive Director and 40% by his brother-in-law. It had an initial registered capital of US\$3.5 million which was fully paid up by 16 April 2007. After various rounds of capital injection, Shanghai Tat Hong's registered capital was increased to US\$26.0 million, which was fully paid up on or before 3 June 2014.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Between 2007 and 2012, there were various transfers of the equity interest of, capital injection in, and increases in the registered capital of Shanghai Tat Hong. After the said transfers, capital injection and registered capital increases, Shanghai Tat Hong was held as to approximately 56.34% by Tat Hong China, approximately 42.31% by Tat Hong Zhaomao and approximately 1.35% by Shanghai Zhaomao.

On 19 December 2014, Tat Hong China and our Company entered into a share transfer agreement pursuant to which Tat Hong China transferred its approximately 56.34% equity interest in Shanghai Tat Hong to our Company at a consideration of approximately RMB103.0 million. Such transfer was completed on 19 January 2015. On 1 June 2015, Shanghai Zhaomao transferred its approximately 1.35% equity interest in Shanghai Tat Hong to Tat Hong Zhaomao at a consideration of approximately RMB2.5 million. After the said transfers, Shanghai Tat Hong was held as to approximately 56.34% by our Company and approximately 43.66% by Tat Hong Zhaomao and, thus, Shanghai Tat Hong was an indirect wholly-owned subsidiary of our Company.

Branch offices of Shanghai Tat Hong

In order to facilitate the development of our operation in different regions in the PRC, Shanghai Tat Hong has established one branch office in Changzhou city in Jiangsu province in April 2012, which was deregistered in October 2018. Our Directors confirm that the branch was deregistered due to a change in Shanghai Tat Hong's development strategies. As confirmed by our Directors and concurred by our PRC Legal Advisers, such branch was not involved in any material claims, litigations or non-compliant incidents during the Track Record Period. In addition, the deregistration had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

As at the Latest Practicable Date, Shanghai Tat Hong had one branch office in Changning district in Shanghai.

Huaxing Tat Hong

Huaxing Tat Hong (formerly known as Jiangsu China Nuclear Huaxing Machinery Construction Co., Ltd* (江蘇中核華興建築機械施工有限公司)) was established in Jiangsu province, the PRC, with limited liability on 24 June 2004. It was principally engaged in the provision of tower crane solution services.

As at the date of incorporation, Huaxing Tat Hong was owned by 13 shareholders, of which approximately 37.88% was held by China Nuclear Industry, a shareholder of our Company, approximately 6.36% was held by Mr. Zhu Hui, a member of our senior management team, approximately 3.94% was held by Mr. Shi Jun, also a member of our senior management team, and approximately 51.82% was held by 10 former employees of our Group. It had a registered capital of RMB6.6 million which was fully paid up as at the date of incorporation. After various rounds of capital injection, its registered capital was increased to RMB251 million, which was fully paid up on or before 25 December 2018.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 17 February 2007, Mr. Gao Song, our former employee, entered into equity interest transfer agreements with a few other shareholders in Huaxing Tat Hong and after completion of the acquisitions in April 2007, Huaxing Tat Hong was held as to approximately 37.88% by China Nuclear Industry and approximately 62.12% by Mr. Gao Song. After completion of various transfers of the equity interests in Huaxing Tat Hong in June 2007, Huaxing Tat Hong was held as to approximately 5% by China Nuclear Industry, approximately 13.64% by Mr. Gao Song, approximately 76.36% by Shanghai Tat Hong and approximately 5% by Shanghai Zhaomao, respectively. Thereafter, Shanghai Tat Hong transferred its entire equity interests in Huaxing Tat Hong to Tat Hong China at a consideration of approximately RMB13.1 million, which was completed on 15 August 2007.

Between 2007 and 2017, there were various transfers of the equity interest of, capital and asset injection in, and increases in the registered capital of Huaxing Tat Hong, including Tat Hong China's transfer of its entire equity interests in Huaxing Tat Hong to our Company at a consideration of approximately RMB90.3 million which was completed on 4 February 2015, after which Huaxing Tat Hong was held as to approximately 35.97% by our Company and approximately 64.03% by Tat Hong Zhaomao and became an indirect wholly-owned subsidiary of our Company on 16 March 2017.

After an increase of registered capital completed on 3 December 2018 by our Company, Huaxing Tat Hong was held as to approximately 41.33% by our Company and approximately 58.67% by Tat Hong Zhaomao.

Branch offices of Huaxing Tat Hong

In order to facilitate the development of our operation in different regions in the PRC, Huaxing Tat Hong had established 24 branch offices in the PRC, including the cities of Guangzhou, Shenzhen, Ningbo, Zhuhai, Foshan, Chengdu, Chongqing, Shanghai, Changzhou and Dongguan, and the provinces of Sichuan, Hainan, Anhui, Jiangsu, Jiangxi, Fujian, Zhejiang, Guizhou, Hubei, Gansu, Yunnan, Shaanxi and Hebei. On 26 August 2020, Huaxing Tat Hong's branch office in Fujian province was deregistered. Our Directors confirm that the branch was deregistered due to a change in Huaxing Tat Hong's development strategies. As confirmed by our Directors and concurred by our PRC Legal Advisers, such branch office was not involved in any material claims, litigations or non-compliant incidents during the Track Record Period. In addition, the deregistration had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

As at the Latest Practicable Date, Huaxing Tat Hong had 23 branch offices in the PRC.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Zhongjian Tat Hong

Zhongjian Tat Hong (formerly known as Jiangsu Zhenghe Tat Hong Machinery Rental Co., Ltd* (江蘇正和達豐機械租賃有限公司) and Jiangsu Zhongjian Tat Hong Machinery Rental Co., Ltd* (江蘇中建達豐機械租賃有限公司)) was established in Jiangsu province, the PRC, with limited liability on 4 July 2007. It was principally engaged in the provision of tower crane solution services.

As at the date of incorporation, Zhongjian Tat Hong was held as to 50% by Tat Hong China and 50% by an independent third party. It had an initial registered capital of US\$10.0 million which was fully paid up by 23 July 2007. Its registered capital was increased to US\$13.0 million, which was fully paid up on or before 2 July 2014.

Between 2007 and 2012, there were transfers of the equity interest of Zhongjian Tat Hong whereby the independent third party disposed of its 5% and 45% equity interest in Zhongjian Tat Hong to Tat Hong China and Shanghai Tat Hong respectively, and an addition of Tat Hong Zhaomao as a shareholder following an increase in registered share capital by capital injection. On 22 December 2014, Tat Hong China entered into a share transfer agreement with our Company pursuant to which it transferred its entire equity interest in Zhongjian Tat Hong to our Company at a consideration of approximately RMB39.0 million, such transfer being completed on 20 January 2015. After completion of the above and various transfers, Zhongjian Tat Hong was held as to approximately 42.31% by our Company, approximately 25.91% by Shanghai Tat Hong and approximately 31.78% by Tat Hong Zhaomao.

On 17 March 2015, following the transfer of ownership of Tat Hong Zhaomao from Tat Hong China to our Company and both Tat Hong Zhaomao and Shanghai Tat Hong became direct or indirect wholly-owned subsidiaries of our Company, Zhongjian Tat Hong became an indirect wholly-owned subsidiary of our Company.

Branch offices of Zhongjian Tat Hong

In order to facilitate the development of our operation in different regions in the PRC, Zhongjian Tat Hong had established branch offices in the PRC, including the cities of Beijing, Chengdu, Chongqing, Ningbo, Wuxi, Tianjin, Shenzhen and Hefei, as well as the provinces of Hubei and Shaanxi. On 1 June 2018, the branch office in Hefei city was deregistered due to inactivity of its business in Hefei city. As confirmed by our Directors and concurred by our PRC Legal Advisers, the deregistered branch was not involved in any material claims, litigations or non-compliant incidents during the Track Record Period. In addition, the deregistration had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Changzhou Tat Hong

Changzhou Tat Hong was established in Jiangsu province, the PRC, with limited liability on 13 August 2013 to engage in the provision of tower crane solution services, with a focus on the provision of tower crane services in Anhui province, the PRC.

As at the date of establishment, Changzhou Tat Hong was held as to 51% by Zhongjian Tat Hong and 49% by Beijing Tat Hong. It had a registered capital of RMB2.0 million as at the date of establishment, which was later increased to RMB20.0 million and was fully paid up by 9 November 2016.

On 30 September 2014, Beijing Tat Hong transferred its entire equity interest in Changzhou Tat Hong to Shanghai Tat Hong at a consideration of approximately RMB1.5 million based on its then net asset value. After completion of the above transfer, Changzhou Tat Hong was held as to 51% by Zhongjian Tat Hong and 49% by Shanghai Tat Hong.

On 17 March 2015, following the transfer of ownership of Tat Hong Zhaomao from Tat Hong China to our Company and both Zhongjian Tat Hong and Shanghai Tat Hong having become indirect wholly-owned subsidiaries of our Company, Changzhou Tat Hong became an indirect wholly-owned subsidiary of our Company.

On 6 September 2016, Zhongjian Tat Hong and Shanghai Tat Hong transferred their entire equity interest in Changzhou Tat Hong to Tat Hong Zhaomao at a consideration of approximately RMB1.0 million and RMB0.9 million, respectively. After the completion of the above transfers, Changzhou Tat Hong became wholly-owned by Tat Hong Zhaomao and was an indirect wholly-owned subsidiary of our Company.

Branch offices of Changzhou Tat Hong

In order to facilitate the development of our operation in different regions in the PRC, Changzhou Tat Hong has established four branch offices in the PRC, including the cities of Beijing, Shanghai and Shenzhen as well as Anhui province, as at the Latest Practicable Date.

Chongqing Tat Hong

Chongqing Tat Hong was established in Chongqing, the PRC, with limited liability on 15 November 2017 to engage in the provision of tower crane solution services with a focus on the tower crane service market in Chongqing city, the PRC.

As at the date of establishment, Chongqing Tat Hong was held as to 100% by Tat Hong Zhaomao and, thus, became an indirect wholly-owned subsidiary of our Company. It had a registered capital of RMB5.0 million, which was yet to be paid up as at the Latest Practicable Date. Our PRC Legal Advisers confirmed that even though the registered capital of Chongqing Tat Hong has not been paid up as at the Latest Practicable Date, such non-payment is not in violation of any applicable PRC laws.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Ronghe Tat Hong

Ronghe Tat Hong was established in Jiangsu province, the PRC, with limited liability on 9 January 2019 to engage in the provision of refurbishment and fabrication services of tower cranes.

As at the date of incorporation, Ronghe Tat Hong was held as to 100% by Tat Hong Zhaomao and, thus, became an indirect wholly-owned subsidiary of our Company. It had a registered capital of US\$5.0 million. According to our PRC Legal Advisers, the registered capital is yet to be fully paid up as at the Latest Practicable Date. Our PRC Legal Advisers confirmed that even though the registered capital of Ronghe Tat Hong has not been fully paid up as at the Latest Practicable Date, such non-payment is not in violation of any applicable PRC laws.

Tat Hong Belt Road

Tat Hong Belt Road was incorporated in Singapore with limited liability on 21 August 2017 to engage in the renting of construction and civil engineering machinery and equipment.

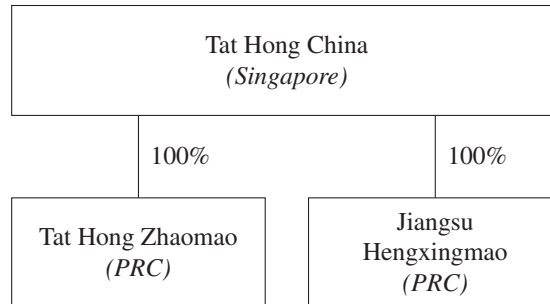
As at the date of establishment, Tat Hong Belt Road was a direct wholly-owned subsidiary of our Company. It had a registered capital of SGD10.0 which has been fully paid up as at the Latest Practicable Date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

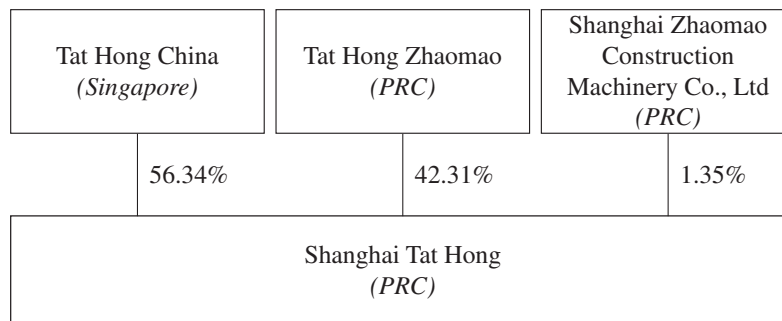
REORGANISATION

The shareholding structure of our Group immediately prior to Reorganisation is set out below:

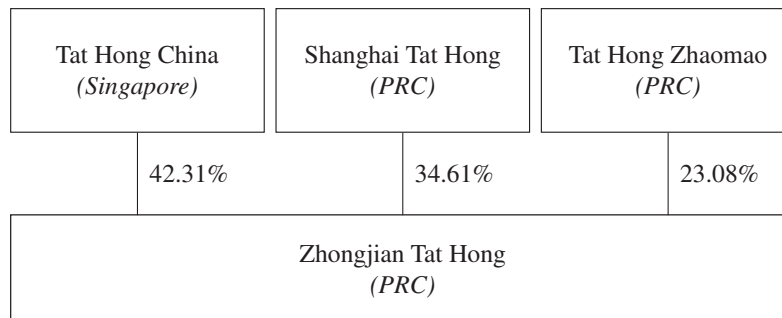
(A) Tat Hong Zhaomao and Jiangsu Hengxingmao



(B) Shanghai Tat Hong

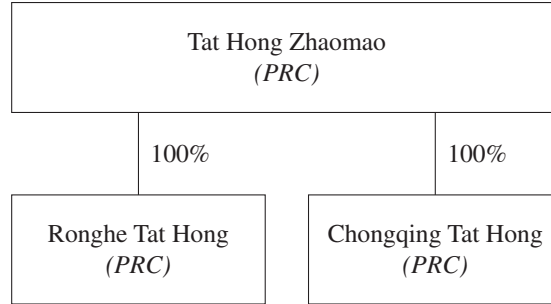


(C) Zhongjian Tat Hong

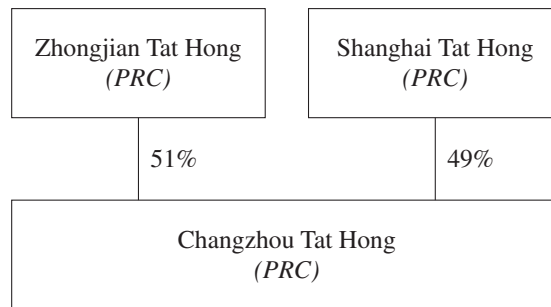


HISTORY, REORGANISATION AND CORPORATE STRUCTURE

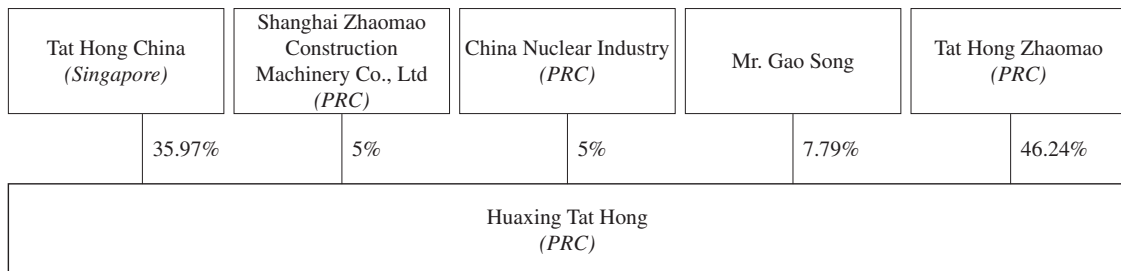
(D) Ronghe Tat Hong and Chongqing Tat Hong



(E) Changzhou Tat Hong



(F) Huaxing Tat Hong



(G) Incorporation of our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 August 2014. As at the date of incorporation, our Company was authorised to issue one Share with a par value of NT\$10 each of which one Share was allotted and issued as fully paid to an initial subscriber. On the same day, the subscriber Share was transferred to Tat Hong China at par, our Company was wholly-owned by Tat Hong China.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(H) Transfer of Tat Hong China's equity interest in Shanghai Tat Hong, Zhongjian Tat Hong, Huaxing Tat Hong, Jiangsu Hengxingmao to our Company

After acquisition of Tat Hong China's respective equity interests in Shanghai Tat Hong, Zhongjian Tat Hong, Huaxing Tat Hong, Jiangsu Hengxingmao in January 2015, January 2015, February 2015 and March 2015, respectively, our Company held approximately 56.34% equity interest in Shanghai Tat Hong, approximately 42.31% equity interest in Zhongjian Tat Hong, approximately 35.97% equity interest in Huaxing Tat Hong and the entire equity interest in Jiangsu Hengxingmao. For details of the transfers, please refer to the paragraphs headed "Establishment and development of the subsidiaries of our Company" in this section.

(I) Transfer of Tat Hong China's equity interest in Tat Hong Zhaomao to our Company

After acquisition of Tat Hong China's entire equity interests in Tat Hong Zhaomao on 17 March 2015, Tat Hong Zhaomao had become a direct wholly owned subsidiary of our Company. As a result, Zhongjian Tat Hong and Changzhou Tat Hong had become our indirect wholly-owned subsidiaries of our Company. Upon acquisition of the remaining approximately 1.35% equity interest in Shanghai Tat Hong from Shanghai Zhaomao Construction Machinery Co., Ltd by Tat Hong Zhaomao on 1 June 2015, Shanghai Tat Hong has become the indirect wholly-owned subsidiary of our Company. For details of the transfers, please refer to the paragraphs headed "Establishment and development of the subsidiaries of our Company" in this section.

(J) Transfer of the remaining equity interest in Huaxing Tat Hong

On 26 August 2015, Tat Hong Zhaomao acquired approximately 5% equity interest in Huaxing Tat Hong from China Nuclear Industry at a consideration of approximately RMB12.5 million based on the net asset value thereof. On 16 March 2017, Tat Hong Zhaomao acquired 0.01% equity interest in Huaxing Tat Hong from Mr. Gao Song at a consideration of approximately RMB26,580.6. After these acquisitions, Huaxing Tat Hong was owned as to approximately 35.97% by our Company and approximately 64.03% by Tat Hong Zhaomao and became an indirect wholly-owned subsidiary of our Company. For details of the transfers, please refer to the paragraphs headed "Establishment and development of the subsidiaries of our Company" in this section.

(K) Transfer of equity interest in Changzhou Tat Hong to Tat Hong Zhaomao

On 6 September 2016, Zhongjian Tat Hong and Shanghai Tat Hong transferred their entire equity interest in Changzhou Tat Hong to Tat Hong Zhaomao at a consideration of approximately RMB1.0 million and RMB0.9 million, respectively. After these transfers, Changzhou Tat Hong became wholly owned by Tat Hong Zhaomao. For details of the transfers, please refer to the paragraphs headed "Establishment and development of the subsidiaries of our Company" in this section.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

(L) Subscription and transfer of Shares of our Company

- (i) On 29 January 2015, the authorised share capital of our Company was increased to NT\$1,500,000,000 divided into 150,000,000 Shares with a par value of NT\$10 each.

On 30 March 2015, Tat Hong China subscribed for and our Company allotted and issued 64,908,219 shares to Tat Hong China at par. Such shares have been fully paid up as at the Latest Practicable Date.

- (ii) On 23 June 2015, Sunfield Investment subscribed for and our Company allotted and issued 1,607,860 shares to Sunfield Investment at par. Such shares have been fully paid up as at the Latest Practicable Date.

- (iii) On 13 July 2015, Joyful Shine Holdings Limited and China Nuclear Industry subscribed for and our Company allotted and issued 2,128,250 and 1,367,770 shares to Joyful Shine Holdings Limited and China Nuclear Industry, respectively, at par. Such shares have been fully paid up as at the Latest Practicable Date.

- (iv) On 29 July 2015, Tat Hong China transferred 3,245,411 shares in our Company to TH Straits 2015, a direct wholly-owned subsidiary of Tat Hong China, at par. After the above transfers and at the time of the submission of listing application at TWSE, our Company was held as to approximately 88.1% by Tat Hong China, approximately 4.6% by TH Straits 2015, approximately 3.0% by Joyful Shine Holdings Limited, approximately 2.3% by Sunfield Investment, and approximately 2.0% by China Nuclear Industry.

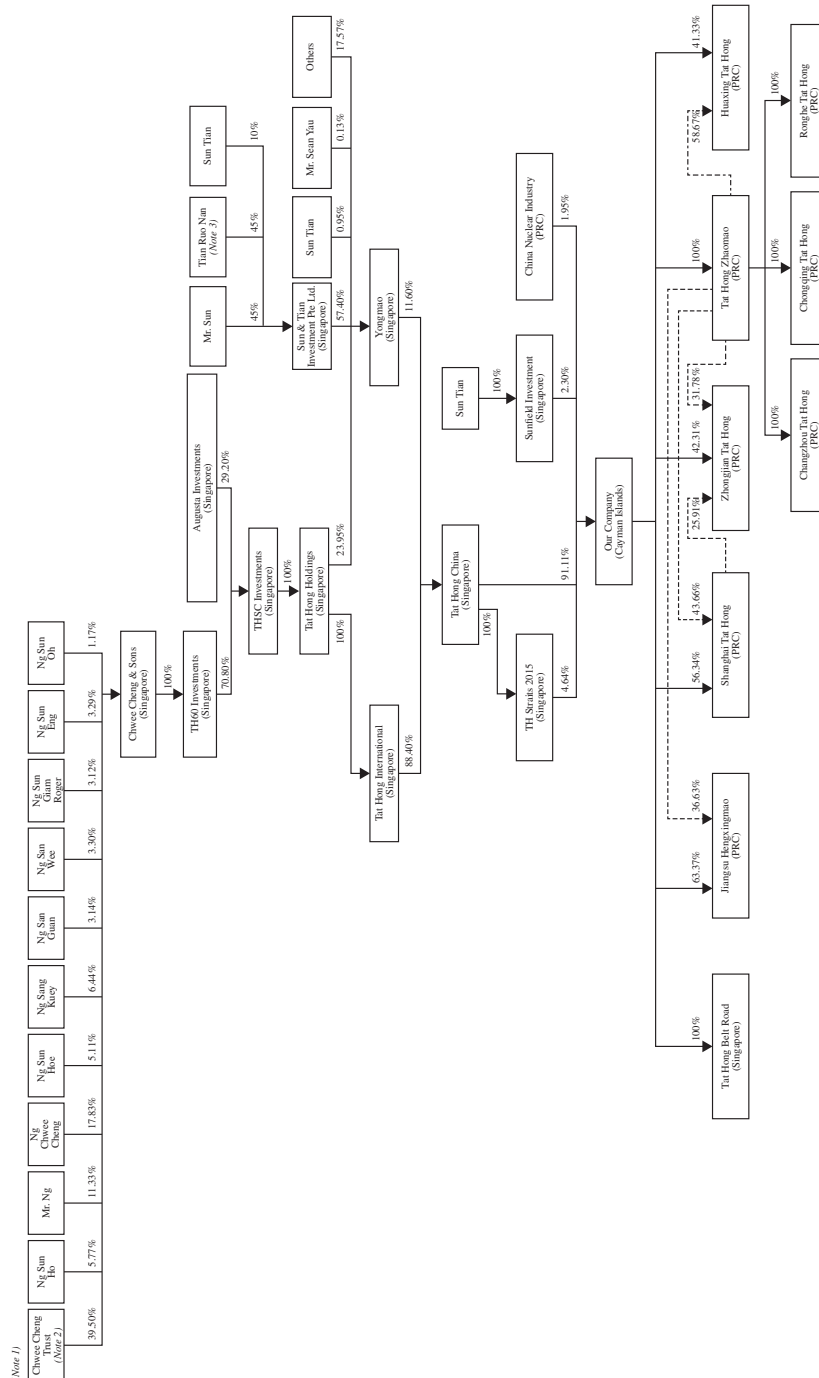
- (v) On 23 January 2017, Joyful Shine Holdings Limited transferred 2,128,250 shares in our Company to Tat Hong China at the consideration of approximately US\$4.1 million and ceased to be a shareholder of our Company. As at the Latest Practicable Date, our Company was held as to approximately 91.11% by Tat Hong China, approximately 4.64% by TH Straits 2015, approximately 2.3% by Sunfield Investment and approximately 1.95% by China Nuclear Industry.

- (vi) On 25 August 2017, the shareholders of the Company passed resolutions to the effect that (a) the authorised share capital of the Company was increased (from NT\$1,500,000,000 divided into 150,000,000 shares of NT\$10 each) by US\$150,000,000 by the creation of 150,000,000 Shares of a par value of US\$1.00 each; (b) following such increase, 70,012,100 new shares were allotted and issued as fully paid to the existing shareholders, pro rata to their then interests in the issued share capital of the Company; (c) following such issue of shares, the Company repurchased for cancellation the 70,012,100 existing issued shares of NT\$10 in the capital of the Company in issue immediately prior to the said issue of new shares; and (d) following such repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 150,000,000 unissued shares of NT\$10 each in the capital of the Company. Accordingly, following the completion of the above, the Company had an authorised share capital of US\$150,000,000 divided into 150,000,000 shares of US\$1.00 each.

- (vii) On 5 December 2019, the shareholders of the Company passed resolutions to the effect that (a) every issued and unissued shares of US\$1 each was subdivided into 12.5 shares of US\$0.08 each; (b) following the subdivision, the authorised share capital of the Company of US\$150,000,000 was divided into 1,875,000,000 Shares and the issued share capital of the Company of US\$70,012,100 was divided into 875,151,250 shares of US\$0.08 each.

CORPORATE STRUCTURE OF OUR GROUP – IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

Upon completion of the Reorganisation set out above, our Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group after the Reorganisation but immediately prior to the Global Offering:

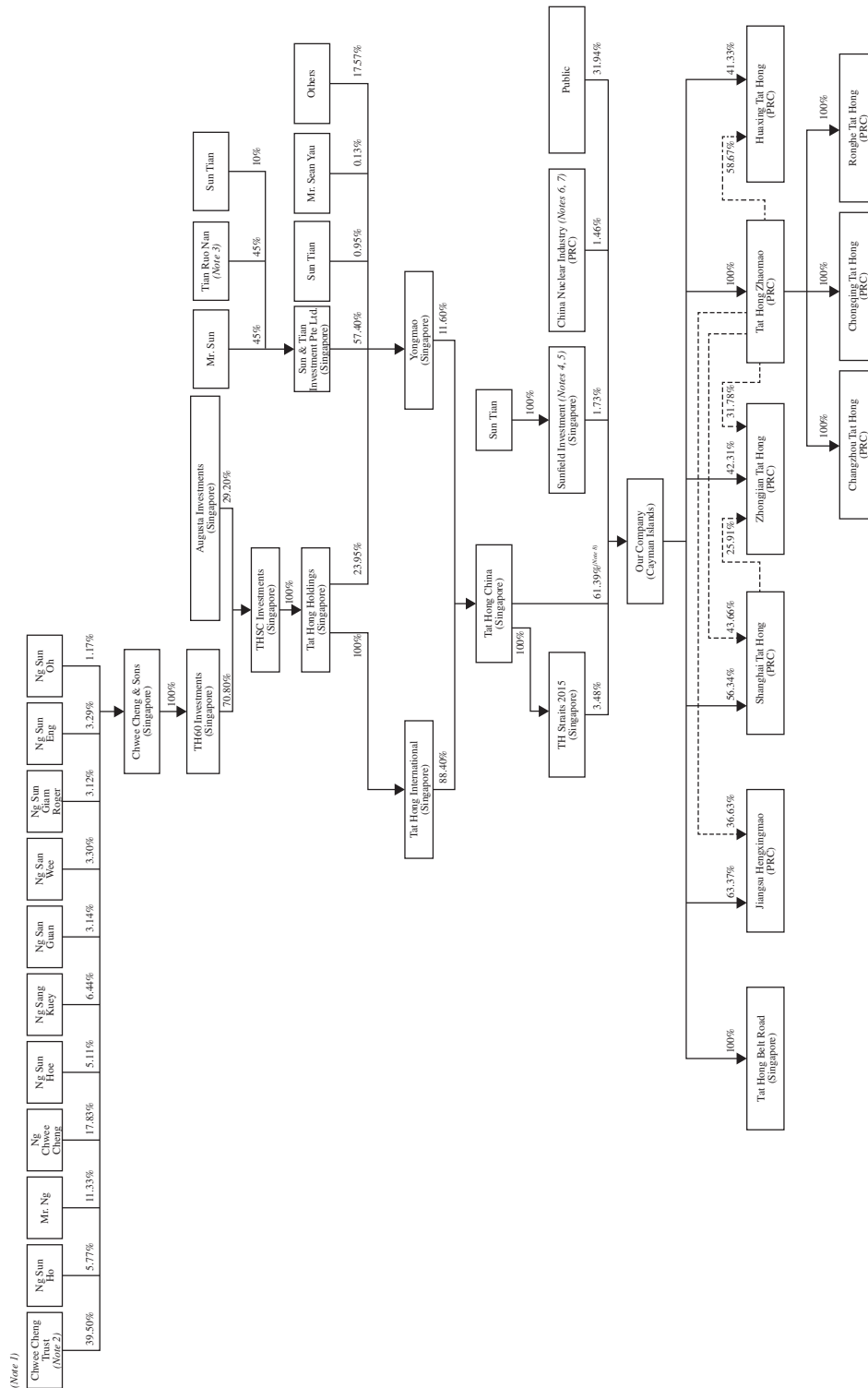


Notes:

1. Percentage may not add up to 100% due to rounding.
2. The Chwee Cheng Trust is an irrevocable discretionary trust established by Mr. Ng's father with Mr. Ng and his family members as beneficiaries and Mr. Ng, Ng Sun Ho, Ng San Wee and Ng Sun Giam Roger as the joint trustees.
3. Ms. Tian Ruo Nan is the executive director and chief executive officer of Yongmao, and the spouse of Mr. Sun.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE GLOBAL OFFERING

The following chart sets out the shareholding structure of our Group immediately following the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and any options that may be granted under the Share Option Scheme):



Notes:

1. Percentage may not add up to 100% due to rounding.
2. The Chwee Cheng Trust is an irrevocable discretionary trust established by Mr. Ng and his family members as beneficiaries and Mr. Ng, Ng Sun Ho, Ng San Wee and Ng Sun Giam Roger as the joint trustees.
3. Ms. Tian Ruo Nan is the executive director and chief executive officer of Yongmao, and the spouse of Mr. Sun.
4. The Shares held by Sunfield Investment will be counted as public float.
5. Sunfield Investment is wholly owned by Mr. Sun Tian, son of Mr. Sun, our non-executive Director. As Mr. Sun Tian has attained the age of 18, Mr. Sun Tian and Sunfield Investment are therefore not a close associate of Mr. Sun under the definition of the Listing Rules. Further, Mr. Sun Tian has confirmed that (i) Sunfield Investment's acquisition of the Shares was not financed by any core connected person of our Company including Mr. Sun, and (ii) Sunfield Investment is not accustomed to take instructions from any core connected person of our Company including Mr. Sun.
6. The Shares held by China Nuclear Industry will be counted as public float.
7. China Nuclear Industry is held as to 86.3% by China Nuclear Industry Construction Corporation Limited* (中國核工業建設股份有限公司) and 13.7% by China Nuclear Power Engineering Co., Ltd.* (中廣核工程有限公司), both of which are independent third parties. Although Mr. Chen, our non-executive Director, is the chairman of the board of directors of China Nuclear Industry, he has no shareholding in and has no control over the composition of a majority of the board of directors of China Nuclear Industry and any subsidiary thereof. Therefore, China Nuclear Industry is not a close associate of Mr. Chen under the definition of the Listing Rules. Further, China Nuclear Industry has confirmed that (i) China Nuclear Industry's acquisition of the Shares has not been financed by any core connected person of our Company including Mr. Chen, and (ii) China Nuclear Industry is not accustomed to take instructions from any core connected person of our Company including Mr. Chen.
8. As part of the Global Offering, the Selling Shareholder (i.e. Tat Hong China) will offer 81,000,000 Sale Shares for sale under the International Offering. For details of the Sale Shares offered by the Selling Shareholder, please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

SAFE REGISTRATION BY OUR SHAREHOLDER

Pursuant to the requirements of the Regulation of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), the SAFE made provisions in relation to the foreign exchange management of offshore investment and financing and round-trip investment by domestic residents through special purpose vehicles by Huifa [2014] No. 37(匯發[2014]37號) on 4 July 2014 (“**SAFE Circular 37**”), stipulating that domestic residents must register with the SAFE prior to their contribution of legal domestic and overseas assets or equity interests to a special purpose vehicle.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Huifa [2015] No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》匯發[2015]13號) (promulgated on 13 February 2015 and effective on 1 June 2015), the SAFE decided to further simplify and improve policies for the foreign exchange administration of direct investment on a nationwide basis. Banks shall directly examine and handle foreign exchange registration under domestic and overseas direct investment, and the SAFE and its branches shall indirectly regulate foreign exchange registration of direct investment through banks, simplifying the procedures for some foreign exchange transactions under direct investment. While the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE, there are currently uncertainties as to the interpretation and implementation of the latest SAFE rules at practice level by the local government authorities, and foreign exchange registration may not be always practically available in all circumstances as prescribed in those regulations. For more details of SAFE Circular 37, please refer to the sections headed “Regulatory Overview – Overview of PRC laws and regulations – Laws and regulations on foreign exchange” and “Risk Factors – Risks relating to conducting business in PRC – We may be adversely affected by failure of our Shareholder to comply with PRC foreign exchange control rules or requirements” in this prospectus.

One of our individual Shareholders, Mr. Sun Tian, who is the sole shareholder of Sunfield Investment, a company incorporated under the laws of Singapore and is currently holding 2.3% Shareholding in our Company, is a Chinese resident and is therefore required to comply with the foreign exchange registration requirement under SAFE Circular 37. In December 2019, Mr. Sun Tian applied to the Fushun Branch of SAFE and the Fushun Branch of Bank of China Limited for foreign exchange registration of overseas investments for individuals under SAFE Circular 37 in connection with his entire equity interest in Sunfield Investment and his indirect investment in our Group through Sunfield Investment (“**SAFE Registration**”). Due to the abovesaid uncertainties as to the interpretation and implementation of the latest SAFE rules at practice level by the local government authorities, Mr. Sun Tian was unable to complete his SAFE Registration. As confirmed by Mr. Sun Tian, where possible, he will complete his SAFE Registration in the future.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As a result of his failure to complete his SAFE Registration, Mr. Sun Tian could be subjected to fines according to SAFE Circular 37. While the transfer of fund to and from a company could be affected as a result of the contravention of SAFE Circular 37 by its shareholder, given Mr. Sun Tian and Sunfield Investment are not Controlling Shareholders of our Company and Sunfield Investment only holds 2.3% issued shares of our Company before Listing and will only hold 1.725% issued shares of our Company immediately after Listing, our PRC Legal Advisers are of the view that the possibility of imposing any penalty on our Group by the PRC foreign exchange authorities is extremely remote and there will not be any substantial impact on the transfer of fund to and from our Group as a result of Mr. Sun Tian's failure to complete his SAFE Registration.

OVERVIEW

We are the first foreign-owned tower crane service provider established in the PRC. According to Frost & Sullivan, the tower crane service market in the PRC is extremely fragmented with the top five players only accounted for the market share of approximately 4% in terms of revenue in 2019 whereas we accounted for approximately 0.7%. 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. During the Track Record Period, we had mainly engaged in EPC projects in infrastructure, energy, commercial and residential sectors conducted by our customers. As at the Latest Practicable Date, we owned a fleet of 1,008 tower cranes, which are all branded under “達豐” and equipped to flexibly engage in our customers’ specialised range of EPC projects throughout the PRC. Guided by our core values, which are “Virtue (厚德), Safety (安全) and Excellence (卓越)”, we have successfully established our market position and maintained a stable, reputable and loyal customer base in the construction industry in the PRC.

We are well-recognised in the industry and have built a strong reputation in our awareness to workers’ safety, service quality and technical strength. We possess Class A Certificate for Erection, Modification and Maintenance of Special Type Equipment (特種設備安裝改造維修許可證(起重機械A級)) granted by the Jiangsu Quality and Technology Supervisory Bureau (江蘇省質量技術監督局) and Construction Enterprise Qualification Certificate (建築業企業資質證書) with qualification category and grade of Class One Lifting Equipment Erection and Project Outsourcing (起重設備安裝工程專業承包一級) issued by the Jiangsu Housing and Urban Rural Construction Department (江蘇省住房和城鄉建設廳) for conducting tower crane service business in the PRC. We also currently possess 41 registered patents for utility models and inventions relating to tower cranes. Over the years, we have taken part in and witnessed the completion of various large-scale landmark projects, including the Beijing CITIC Bank IT Research and Development Centre (北京市中信銀行信息技術研發基地), the man-made island of the Hong Kong-Zhuhai-Macau Bridge (港珠澳大橋島隧工程東人工島項目), the expansion of halls and construction of steel structures of subway stations of the Phase Three of the Shanghai Pudong International Airport (上海浦東國際機場三期擴建工程衛星廳及捷運車站鋼結構工程), the Beijing Daxing International Airport (北京大興新機場) and the Shanxi Niucun Wenchi Coal and Electricity Power Plant (山西牛村鎮溫池村孟縣電廠). We have also received numerous awards and recognition from our customers, forum and government authorities, such as, China Top 20 Tower Crane Rental Company (中國塔機租賃商20強) issued by the Organising Committee of World Tower Crane Summit & China Tower Crane Rental 100 Forum (全球塔式起重機峰會暨中國塔機租賃商百強大會組委會) and China Construction Machinery Magazine (中國工程機械雜誌) in 2020, the Certificate of Enterprise Credit Grade AAA (企業信用等級證書AAA級) issued by the China Construction Industry Association (中國建築業協會) in 2019 and the 2018 Annual Safety Production Advance Enterprise Award (2018 年度安全工作先進企業) issued in January 2019 by the Shanghai Development Safety Association for Construction Safety (上海市建設安全協會建築設施安全分會).

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We manage our operation in a centralised and effective manner through our in-house developed integrated information systems covering the management of our daily operation, including the management of our projects, procurement, insurance, administrative and financials, aiming to facilitate operational efficiency, systemise continuity and timely decision making in our business operations. During the Track Record Period, we had successfully completed 653 projects in the PRC, among which, more than 80% of these projects were awarded by the Special-tier and Tier-1 EPC contractors. As at 30 June 2020, we had 269 projects in progress, which represent service contracts awarded to us but have not yet been completed, and 29 projects on hand, which represent service contracts awarded to us but have not yet been started.

We currently operate eight tower crane yards on our leased properties in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC. We also acquired a land with auxiliary properties in June 2019 with area of approximately 94,310 sq.m. in Yangzhou, Jiangsu province, the PRC and are in the process of establishing our Yangzhou Refurbishment Centre as our centralised tower crane centre in the eastern China region for repairment, maintenance and refurbishment and also for storage of our tower cranes and related parts, components and accessories. We plan to expand our Yangzhou Refurbishment Centre so that we can extend our scope of tower crane services to our customers and/or industrial peers. For more details of our Yangzhou Refurbishment Centre, please refer to the section headed “Business – Our tower crane yards and Yangzhou Refurbishment Centre – Our Yangzhou Refurbishment Centre” in the prospectus.

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we recorded a total revenue of approximately RMB549.1 million, RMB656.0 million, RMB744.9 million and RMB204.9 million, respectively. Our net profit for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 was approximately RMB51.1 million, RMB68.3 million, RMB76.5 million and RMB27.6 million, respectively.

COMPETITIVE STRENGTHS

We are a leading foreign-owned tower crane service provider in the PRC

We are the first foreign-owned tower crane service provider established in the PRC. According to Frost & Sullivan, we were the second largest tower crane service provider in the PRC in terms of revenue in 2019. 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. As at the Latest Practicable Date, we owned fleet of 1,008 tower cranes, which are all branded under “達豐” and equipped to flexibly engage in our customers’ specialised range of projects throughout the PRC.

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The current mix of our self-owned tower cranes composes of more than 40% of tower cranes bearing maximum lifting capacity above 200TM, among which, our largest tower crane bears maximum lifting capacity above 2,000TM. Subject to our project needs and management assessment, we also strategically rent tower cranes from third-party suppliers in a systematic manner so that the mix fleet of self-owned and rented tower cranes can provide us with more flexibility and enables us to take on more projects to enhance the utilisation of our existing self-owned tower cranes, which in turn, increase our revenue. During the Track Record Period, our overall utilisation rate, which referred to our tower cranes that were already on-site and generating revenue against all the tower cranes that met our internal operational standards for deployment to projects sites for use, had reached approximately 80% in average. Taking into account the tower cranes that were under repair or maintenance or in transit to the designated project sites for upcoming projects, our overall utilisation rate would reach approximately 93% in average during the Track Record Period.

We specialise in the provision of tower crane solution services to large and complex Special-tier and Tier-1 EPC projects in the PRC mainly in the infrastructure, energy, commercial and residential sectors. We possess Class A Certificate for Erection, Modification and Maintenance of Special Type Equipment (特種設備安裝改造維修許可證(起重機械A級)) granted by the Jiangsu Quality and Technology Supervisory Bureau (江蘇省質量技術監督局) and Construction Enterprise Qualification Certificate (建築業企業資質證書) with qualification category and grade of Class One Lifting Equipment Erection and Project Outsourcing (起重設備安裝工程專業承包一級) issued by the Jiangsu Housing and Urban Rural Construction Department (江蘇省住房和城鄉建設廳) for conducting tower crane service business in the PRC. In particular, according to Frost & Sullivan, we had participated in more than 50% of nuclear power station projects and approximately 60% of LNG terminal projects in the PRC by the end of 2019. During the Track Record Period, we had successfully completed 653 projects, among which we completed 165 infrastructure projects, 63 energy projects, 287 commercial projects and 138 residential projects.

By providing high quality tower crane solution services, we have been well recognised by the industry and have also been accredited with various awards and recognition, such as, China Top 20 Tower Crane Rental Company (中國塔機租賃商20強) issued by the Organising Committee of World Tower Crane Summit & China Tower Crane Rental 100 Forum (全球塔式起重機峰會暨中國塔機租賃商百強大會組委會) and China Construction Machinery Magazine (中國工程機械雜誌) in 2020, the Certificate of Enterprise Credit Grade AAA (企業信用等級證書AAA級) issued by the China Construction Industry Association (中國建築業協會) in 2019, and the 2018 Annual Safety Production Advance Enterprise Award (2018年度安全工作先進企業) issued by the Shanghai Development Safety Association for Construction Safety (上海市建設安全協會建築設施安全分會). For more details of our awards and recognition received, please refer to the section headed “Business – Awards and recognition” in this prospectus.

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We believe that, with our strong industrial expertise and brand reputation accumulated throughout the years and our capability in providing one-stop tower crane solution services, we have established our leading position in the PRC tower crane service market and maintained a stable, reputable and loyal customer base to well capture the opportunities in the construction industry in the PRC. We also believe that, with our strong brand name, extensive fleet, entrenched network across the PRC and our advanced technical design, construction and operational capabilities, we are on track to a robust long-term growth trajectory.

We have nationwide network and maintain stable and long-term business relationship with high quality customers

We first established our business presence in the PRC in 2007 by entering the eastern China market. Throughout the years, we have gradually expanded into more regional markets and established our operational presence across the PRC. We manage and operate our business mainly through our headquarters in Shanghai supported by three regional operation centres located in Beijing and Shanghai and 15 operational bases across the PRC. Also, we currently operate eight tower crane yards on our leased properties in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC. Further, we acquired a piece of land with auxiliary properties in June 2019 with site area of approximately 94,310 sq.m. in Yangzhou, Jiangsu province, the PRC and are in the process of establishing our Yangzhou Refurbishment Centre as our centralised tower crane centre in the eastern China region for repair, maintenance and refurbishment and also for the storage of our tower cranes and related parts, components and accessories. We plan to expand our Yangzhou Refurbishment Centre so that we can extend our scope of tower crane services to our customers and/or industrial peers. We believe our strategically located regional operational centres, operational bases, tower crane yards and Yangzhou Refurbishment Centre have allowed us to address our internal demand, maximise fleet utilisation, improve our responsiveness to market need, and provide a significant cost-cut advantage by lowering our costs for repair, maintenance, refurbishment, storage and transportation. We believe that possessing an extensive national network together with our in-depth industrial knowledge and strong technical capabilities put us in a strong position to capture the significant market opportunities presented by the high growth of China's construction market in the recent years and become partner of choice for the major Chinese EPC contractors.

We are widely recognised by our customers for our delivery of high quality tower crane solution services. Our customers, which are various major Chinese Special-tier and Tier-1 EPC contractors, typically impose stringent requirements and standards for the provision of our tower crane solution services. In order to serve these customers well, we have implemented a customer-oriented strategy and implemented a fully integrated tower crane service platform which caters for our customers from the initial stages of a project, such as, the technical design and reporting and filing, to completion, including dismantling of tower cranes and transportation and repair. We also have specific project teams and quality control personnel designated to each of our major customers and their projects in order to regularly communicate with them and promptly respond to their needs and requests. Moreover, our senior management team members will personally participate in our major customers' meetings and discussions on regular basis to ensure that we provide high quality work and services to them. We believe that our fast-response, customer-oriented service mechanism and strong technical know-how and

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capabilities have helped us to build and maintain a reputable and loyal customer base, gain deep insight of the industry and capture market opportunities, which have distinguished us from our competitors and contributed to the growth of our business.

We are capable of managing and functioning our operation in a centralised and effective manner with our in-house developed integrated information systems

Our Directors believe that our business stability and financial performance are closely associated with our operational efficiency. As such, we manage and conduct our business operation in a centralised and effective manner with implementation of our in-house developed integrated information systems, which are developed by our key management members and research and development team covering the management of extensive areas of our daily operation, including the management of our projects, procurement, insurance, administrative and financials.

We manage our projects using iSmartCon, our self-developed open platform mobile application made for information management aimed to improve operating efficiency, facilitate repair and maintenance requests as well as safety control. We manage our procurement through our in-house developed LEAP system, which enables us to track the procurement cycle and deployment and utilisation rate of our tower cranes and related parts, components and other accessories. We control our project expenses through our in-house developed expense control system to achieve stringent, comprehensive and rational cost control objectives, thereby ensuring our project execution progress as planned. We use our self-developed insurance management system to track the status of our insurance claims. We also developed TOP platform to manage our administrative services. For further details of our in-house developed integrated information systems, please refer to the section headed “Business – Information systems” in this prospectus. We believe that our in-house developed integrated information systems have enhanced our operational efficiency and information management which allows us to achieve scalable business growth.

We have an experienced, innovative and high calibre management team

We recruit staff from various backgrounds with an aim to gather insights and expertise for generating innovative ideas to enhance our business operational efficiency, better serve our customers and sustain our scalable business growth. Our experienced and dedicated management team is led by our chief executive officer and executive Director, Mr. Sean Yau, who has over 20 years of experience in engineering, corporate finance and venture capital and over 12 years of experience in the PRC possessing extensive knowledge in conducting tower crane service related business in the PRC. Our chief operating officer and executive Director, Mr. Henry Lin, possesses more than 27 years of experience in technology, software, legal and business development, and has deep practical operational and managerial knowledge and experience in the service industry in the PRC. Our experienced senior management team also comprises industry experts with extensive experience in the tower crane service industry for more than 10 years each. For further details of our Directors’ and senior management team’s biographies, please refer to the section headed “Directors and Senior Management” in this prospectus.

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Our tower crane solution service work requires expertise in planning, management, procurement and execution of projects. This involves knowledge in the specifications and functionalities of tower cranes, assessment of risk, site and weather conditions and labour, and the overall decision-making on and execution of our projects. Up to the Latest Practicable Date, our key management team members have worked with our Group for more than 10 years on average, where they have participated in various high-profile construction projects in the PRC and developed extensive industrial and management experiences in the tower crane service industry. As at the Latest Practicable Date, we had a total of 20 master's degree holders and 151 bachelor's degree holders, with 80 special technical skill certificate holders, 187 safety certificate holders, 452 special equipment engineering certificate holders and 133 designated appointment certificate holders working in our Group. We believe that our experienced, innovative and high calibre management team has played a key role in managing and leading our business operation and provided us with deep industry knowledge, which have been and will continue to be the key to our success in our future operations and profitability.

FUTURE STRATEGIES

We intend to further strengthen our leading position in the tower crane service industry in the PRC and continue to expand our business. We plan to achieve our goals by pursuing the following principal future strategies:

Align our business with governmental initiatives, continue to focus on fleet expansion on medium-to-large sized tower cranes and recruit talents to capture future growth opportunities

We persist in strengthening our leading position and sustainably expanding our business in the tower crane service industry in the PRC. Our Directors believe that our competitive strengths to undertake projects mainly depend on our strong technical capabilities, long-term business relationship with customers, strong emphasis in safety, high quality of solution services and positive industrial environment. We will continue to focus on participating in Special-tier and Tier-1 EPC projects in the PRC in the near future to capture the potential growth and increase our market share.

According to Frost & Sullivan, between 2015 and 2019, underpinned by the ever-increasing investment in the infrastructure and real estate construction projects, the total output value of China's construction industry increased from approximately RMB18.1 trillion to approximately RMB24.8 trillion at a CAGR of approximately 8.2%. According to the 13th Five-year Plan for the Development of the Construction Industry (建築業發展“十三五”規劃(2016-2020年)), the PRC government aims to achieve a 7% annual growth rate of the total output value of the construction industry in the PRC, demonstrating the PRC government's determination to maintain the stable development of the construction industry. In the next five years from 2020, the total output value of China's construction industry is expected to maintain a CAGR of 8%, and is forecasted to achieve RMB35.1 trillion in 2024. The development of the construction industry in the PRC is expected to sustain the growth of tower crane service market in the PRC. As the market demand for tower crane services is closely related to the development of construction industry, which in turn, largely depend on the general economic

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conditions and government policies, we believe that we can benefit from such positive macroeconomic climate. Moreover, we will closely follow the increased project opportunities arising from the government-driven initiatives, such as the Yangtze River Delta, the Hainan Free Trade Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, where the PRC government has heavily invested.

Fleet expansion on medium-to-large sized tower cranes

According to Frost & Sullivan, the Chinese economy grew at a CAGR of approximately 9.5% from 2015 to 2019 in terms of nominal GDP. Going forward, the PRC government is likely to maintain the consistency and stability of the macroeconomic policies so as to maintain the macroeconomic stability. In the meantime, structural adjustment of the economy is predicted to be pushed forward strongly by the PRC government to improve the quality and efficiency of economic development. We aim to capture the increased business opportunities in the PRC from its continued urbanisation and growing prefabricated building market. According to the Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings (國務院辦公廳關於大力發展裝配式建築的指導意見) issued by the General Office of the State Council and Action Plan for the 13th Five-Year Prefabricated Building (“十三五”裝配式建築行動方案) issued by the Ministry of Housing and Urban-Rural Development of the PRC, the proportion of prefabricated buildings in newly constructed buildings should be more than 15% by 2020 and 30% by 2026. Prefabricated construction involves the handling of large prefabricated building structural parts, which have significantly higher weight and lifting accuracy requirements compared to the traditional construction methods, resulting in increase in demand for medium-to-large sized tower cranes bearing lifting capacity above 200TM. However, due to the limited financial and technical capabilities, most of the tower crane service providers in the PRC have insufficient medium-to-large sized tower cranes. According to Frost & Sullivan, the PRC currently has only approximately 20,000 units of medium-to-large sized tower cranes suitable for prefabricated construction and the demand gap for suitable tower cranes is estimated to be approximately 50,000 to 70,000 units by 2023.

Our Directors are of the view that the strong growth potential of China’s prefabricated building market will create foreseeable high demand for larger sized tower cranes bearing higher lifting capacities. As such, we will continue our strategy on purchasing medium-to-large sized tower cranes of larger lifting capacities to allow our total available TM to grow faster than the total number of tower cranes we own. We believe that by owning a moderate number of medium-to-large sized tower cranes, we are well-positioned to benefit from and equipped to capture the inundation of opportunities from the growing construction, infrastructure and prefabricated building markets. Furthermore, as confirmed by Frost & Sullivan, the gross profit margins of projects using self-owned tower cranes are relatively higher than the gross profit margins of projects using rented tower cranes. As such, further expansion of our own fleet of tower cranes, in particular, those medium-to-large sized tower cranes bearing higher lifting capacities will enable us to tender for larger and more complex projects, which in turn, will increase the revenue and profit margins for our future projects. We plan to use our net proceeds from the Global Offering for fleet expansion. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

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Continue to maintain a mix fleet of self-owned and rented tower cranes to enhance the utilisation of our tower cranes

Apart from our self-owned tower cranes, we had also rented tower cranes during the Track Record Period from third-party suppliers to facilitate our project needs in a systematic manner. We believe that the mix fleet of self-owned and rented tower cranes can provide us with more flexibility and enables us to take on more projects to enhance the utilisation of our existing self-owned tower cranes, which in turn, increase our revenue. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we had on average 930, 941, 958 and 971 self-owned tower cranes, respectively, and had rented on average 92, 133, 112 and 109 tower cranes, respectively.

The tower cranes we rented from third-party suppliers are primarily for back-to-back customer contracts and project specific. We believe that renting tower cranes flows with our continuous objective in customisation of our owned tower crane fleet mix. As we are able to better understand and get familiar with the functionalities of these rented tower cranes during the period of our renting, we are able to purchase tower cranes previously or currently rented by us if the models and functionalities of such tower cranes are appropriate for our project needs. During the Track Record Period, 40 of our purchased tower cranes were previously rented by us. For further details of our rented tower cranes, please refer to the section headed “Business – Our procurement and rental – Procurement and rental of tower cranes and procurement of parts, components and accessories” in this prospectus.

Recruit talents

We plan to recruit additional talents equipped with special skills to improve our service capacity and competitiveness. We plan to recruit additional personnel for our research and development team to enhance our research and development capabilities. We also plan to recruit additional engineers to enhance our hardware and software and product development to continuously refine and improve our operational productivity. In particular, we intend to hire experienced technicians for hydraulic press and frequency conversion equipment. According to Frost & Sullivan, technicians for hydraulic press and frequency conversion equipment are rare human resource in the tower crane service industry, and are mostly hired by tower crane manufacturers. We believe recruiting these experienced technicians will allow us to reduce our costs on tower crane repair and maintenance and hence, increase our competitiveness. We plan to use our net proceeds from the Global Offering to recruit and retain talents. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Enhance research and development capabilities

During the Track Record Period, we had invested great amount of effort and focused ourselves in the research and development of tower crane technical solutions. We currently possess a total of 41 patents for utility models and inventions relating to tower cranes. We plan to continue our effort in research and development to obtain the first-mover advantage in

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the industry. We believe that our robust technical capabilities have enabled us to win projects in the past and our enhancement in our research and development capabilities for tower crane technical solutions have also allowed us to achieve excellent delivery in our services.

We will continue to maintain and improve the quality of our project execution and delivery to ensure customers' satisfaction. In particular, we plan to apply our research and development effort to produce some common components and accessories at our Yangzhou Refurbishment Centre to lower our project costs and increase our profit margin. In addition, we will continue our industry-university research collaboration with Shenyang Jianzhu University and seek other strategic cooperation with renowned universities and research and development centres in order to enhance our development in technologies and patents for our tower crane services. For further details, please refer to the section headed "Business – Research and development" in this prospectus.

Expand our Yangzhou Refurbishment Centre to extend our scope of services to our customers and/or industrial peers

We consider the establishment of our Yangzhou Refurbishment Centre in 2019 as one of the important milestones in our corporate history. According to Frost & Sullivan, although tower crane service costs only accounted for approximately 2% on average of the total cost of a construction project, tower crane service companies play a vital role in construction projects in terms of safely and efficiently lifting the required construction materials or items from the ground to the designated height and locations at the project sites. Since almost half of our tower cranes were engaged or ready to be engaged for our projects located in the eastern China region during the past two years, our Directors are of the view that our Yangzhou Refurbishment Centre, which is located in the eastern China region, is able to meet our internal demand to provide extensive repair, maintenance and refurbishment services to our self-owned tower cranes. As such, we acquired a piece of land with auxiliary properties in June 2019 with site area of approximately 94,310 sq.m. in Yangzhou, Jiangsu province, the PRC and obtained all the relevant certificates for the land and properties to establish our Yangzhou Refurbishment Centre.

We plan to provide tower crane repair, maintenance and refurbishment services to our Group as well as to third party industrial peers, with an intention to satisfy our internal needs and offer another avenue of our revenue growth. We also plan to operate our Yangzhou Refurbishment Centre as our centralised tower crane yard in the eastern China region for the storage of tower cranes and related parts, components and accessories. We also intend to launch our production and sales lines in the Yangzhou Refurbishment Centre to manufacture and sell components and accessories. Furthermore, we will offer technical training courses at our Yangzhou Refurbishment Centre to our own staff and collaborate with local technical schools to provide and recruit students with suitable backgrounds to join our Group. For further details of our Yangzhou Refurbishment Centre, please refer to the section headed "Business – Our tower crane yards and Yangzhou Refurbishment Centre – Our Yangzhou Refurbishment Centre" in this prospectus. We plan to use our net proceeds from the Global Offering to expand our Yangzhou Refurbishment Centre. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

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We expect the repair, maintenance and refurbishment divisions of our Yangzhou Refurbishment Centre to be fully operational by the second quarter of 2021. We believe our Yangzhou Refurbishment Centre will lower our costs of repair, maintenance, storage and transportation in the long run and improve our responsiveness to market demand, thereby enhancing our competitiveness in the PRC tower crane service market. We also believe our Yangzhou Refurbishment Centre aids and aligns with our other strategies for economic growth as it will enhance our leading market position in the tower crane service industry in the PRC and strengthen our relationship with our customers by providing them with more comprehensive services.

Maintain and strengthen our strong relationship with our long-term and reputable customers and gradually expand our market in Indonesia under China's Belt and Road Initiative

We value our customers and will continue to deepen our relationship with them by providing high quality tower crane solution services supported by our customer-oriented strategy. Our customers are mainly Chinese Special-tier and Tier-1 EPC contractors. We intend to continuously place emphasis on our customer relations by regularly communicating with and sharing insights relating to the market trends and new technical solutions to our customers to ensure that we proactively anticipate and satisfy their needs and requirements. We aim to highlight our reliability and credibility to our existing customers to increase their reliance on us so as to secure more larger-scale projects from them. We will also continue to attract and reach out to new customers.

Further, we will continue to collaborate with our customers to facilitate their strategic expansion in the Southeast Asian market following the Belt and Road Initiative announced by President Xi Jinping in November 2014, which aims to promote economic cooperation among the participating countries and stimulate the countries' fixed assets investment in infrastructure. After years of market research and observation, we consider the Indonesian market is a suitable market to expand our business due to its rapid development in the infrastructure and construction industries as a result of various favourable PRC and Indonesian local government policies. We believe that with our in-depth industry know-how, strong technical capabilities, and reputable and loyal customer base, there is strong potential for us to expand in the Indonesian tower crane service industry, which has benefited from the increased infrastructure and construction projects carried out by the major Chinese state-owned enterprises and public companies in Indonesia, majority of which are our existing customers.

We believe that we are well-positioned and have an advantage over our competitors in the PRC aiming to expand their business to Indonesia. Although we do not expect to generate a substantial portion of our revenue from our business in Indonesia in the near future, our Directors are of the view that by expanding with and undertaking projects from our customers in Indonesia, we can accumulate more overseas experience and project track record to boost our international reputation in the tower crane service industry and among our customers.

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Expand our business operations through investment

We believe that by leveraging our industrial experience and brand recognition, we will be able to further expand where the market conditions, demand and growth potential for tower crane services are favourable. When opportunities arise, we will consider investing into tower crane service providers.

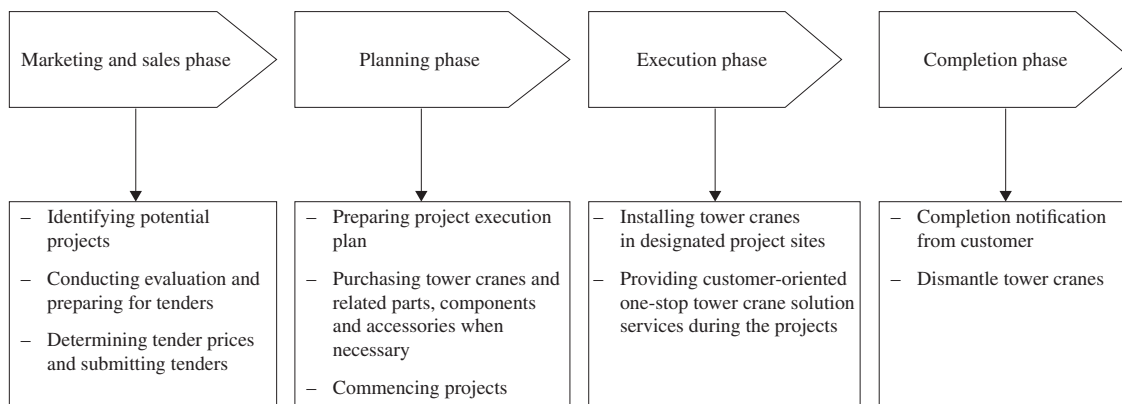
We will maintain a disciplined approach to such investment and will consider various selection criteria with the aim to creating synergies between the target and the rest of our Group after the investment. Before any investment, we will take into account factors such as financial performance, reputation, operating history, qualifications of the professional personnel and the competitive landscape of the target company. Illustrations of such suitable factors may include financially sound, locally reputable tower crane service providers that offer services supplemental to those which we currently offer. As at the Latest Practicable Date, we had not identified any specific targets, formed any specific investment plans or entered into any agreements with potential targets.

OUR BRAND AND BUSINESS MODEL

We are the first foreign-owned tower crane service provider established in the PRC. According to Frost & Sullivan, we were the second largest tower crane service provider in the PRC in terms of revenue in 2019. 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 deploy our self-owned fleet of tower cranes, which are all branded under “達豐” and equipped to flexibly engage in our customers’ projects throughout the PRC. Apart from our self-owned tower cranes, we also strategically rent tower cranes from third-party suppliers in a systematic manner to facilitate our project needs.

The following diagram illustrates our business model:



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Guided by our core values, which are firstly “Virtue (厚德)”, meaning that we strive to be trustworthy and committed to provide reliable services to our customers, maximise our profit for our shareholders, provide a platform for our personnel’s sustainable career and personal development and contribute to the development of the society; secondly, “Safety (安全)”, in which we are dedicated to ensure safety during our project execution, safety of the surrounding environment of the project sites that we are engaged in, and the safety of our onsite workers; and thirdly, “Excellence (卓越)”, that we procure and deploy high quality tower cranes and parts, components and accessories, offer cost-effective and all-rounded services to satisfy our customers’ needs, and promote management efficiency by implementation of various management systems.

During the years, in recognition of the high quality of our tower crane solution services, we have been accredited with various certifications and awards from certain government authorities, forum and customers, such as China Top 20 Tower Crane Rental Company (中國塔機租賃商20強) issued by the Organising Committee of World Tower Crane Summit & China Tower Crane Rental 100 Forum (全球塔式起重機峰會暨中國塔機租賃商百強大會組委會) and China Construction Machinery Magazine (中國工程機械雜誌) in 2020, the Certificate of Enterprise Credit Grade AAA (企業信用等級證書AAA級) issued by the China Construction Industry Association (中國建築業協會) in 2019, and the 2018 Annual Safety Production Advance Enterprise Award (2018年度安全工作先進企業) issued in January 2019 by the Shanghai Development Safety Association for Construction Safety (上海市建設安全協會). For more details on our awards and recognition received, please refer to the section headed “Business – Awards and recognition” in this prospectus. We believe by upholding our core values of “Virtue (厚德)”, “Safety (安全)” and “Excellence (卓越)” together with our strong technical know-how and capabilities, we have successfully established our market position throughout our operational history and maintained a stable, reputable and loyal customer base in the construction industry in the PRC.

BUSINESS OVERVIEW

We primarily focus on and generate our revenue from providing one-stop tower crane solution services in the PRC. Our tower crane solution services range from consultation, technical design, commissioning, construction to after-sales services. During the Track Record Period, we had primarily provided one-stop tower crane solution services to Chinese Special-tier and Tier-1 EPC contractors, which are mainly Chinese state-owned enterprises and public companies. We mainly engage in their EPC projects in the commercial, infrastructure, residential and energy sectors.

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The table below sets out our revenue by our major project type for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
Commercial ⁽¹⁾	269,700	49.1	307,154	46.8	329,898	44.3	93,389	49.2	93,335	45.6
Residential ⁽²⁾	85,341	15.5	138,569	21.1	198,215	26.6	39,598	20.9	58,820	28.6
Infrastructure ⁽³⁾	120,099	21.9	141,567	21.6	178,202	23.9	42,719	22.5	45,006	22.0
Energy ⁽⁴⁾	73,987	13.5	68,713	10.5	38,606	5.2	13,961	7.4	7,727	3.8
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

- Commercial primarily refers to our EPC projects for commercial buildings, industrial parks and shopping malls;
- Residential primarily refers to our EPC projects for residential properties and affordable housing;
- Infrastructure primarily refers to our EPC projects for airports, railway stations and bridges; and
- Energy primarily refers to our EPC projects for hydropower stations, nuclear power plants and LNG terminals.

The table below sets out our revenue by our service type for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
One-stop tower crane services ⁽¹⁾	545,614	99.4	647,121	98.6	738,400	99.1	187,382	98.8	202,793	99.0
– Operating lease	284,967	51.9	375,592	57.2	434,774	58.4	102,748	54.2	112,055	54.7
– Hoisting services	260,647	47.5	271,529	41.4	303,626	40.7	84,634	44.6	90,738	44.3
Dry lease service ⁽¹⁾⁽²⁾	3,513	0.6	8,882	1.4	6,521	0.9	2,285	1.2	2,095	1.0
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

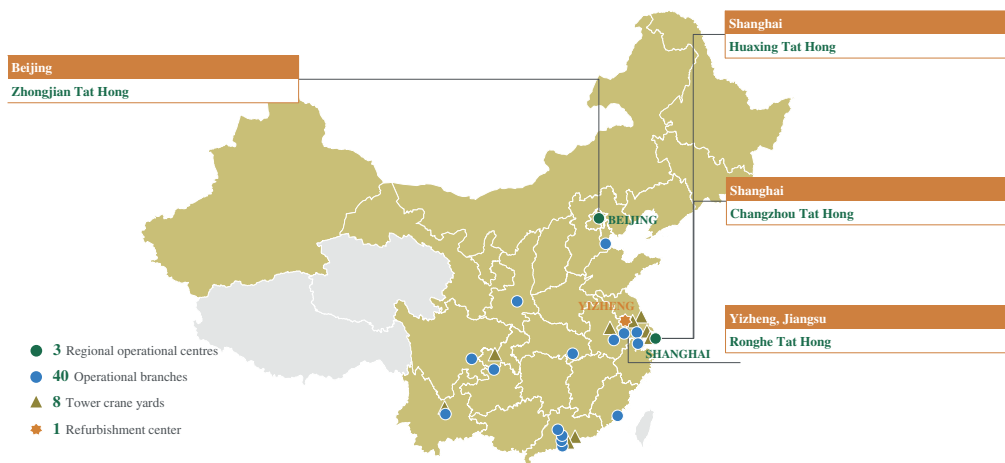
- Our service contracts with customers contain lease component (“**operating lease**”) and non-lease component (“**hoisting service**”). Revenue from operating lease is recognised on a straight-line basis over the lease term. Revenue from hoisting service is recognised over the service period and measured by input method, which is on the basis of our Group’s inputs to the satisfaction of hoisting service (mainly including labour hours incurred) in relation to the total expected inputs to the satisfaction of hoisting service. For further details of our revenue recognition policy for different type of services, please refer to the section headed “Financial Information – Impacts of the adoption of new and amendments to certain accounting policies” in and note 2.21 to our financial statements included in the accountant’s report in Appendix I to this prospectus; and
- Leasing our tower cranes to customers’ project sites for their own use without us providing any further services is classified as dry lease service. Revenue from dry lease is recognised on a straight-line basis over the lease term.

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We first established our business presence in the PRC in 2007 by entering the eastern China market. Throughout the years, we have gradually expanded into more regional markets and established our operational presence across the PRC. Nevertheless, a substantial portion of our revenue during the Track Record Period was generated from our projects located in the eastern China region.

We currently manage and operate our business mainly through our headquarters in Shanghai supported by three regional operation centres located in Beijing and Shanghai and 15 operational bases across the PRC. We also currently operate eight tower crane yards on our leased properties in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC for the storage of tower cranes and related parts, components and accessories. We also acquired a piece of land with auxiliary properties in June 2019 with site area of approximately 94,310 sq.m. in Yangzhou, Jiangsu province, the PRC and are in the process of establishing our Yangzhou Refurbishment Centre to meet our internal demand to provide extensive repair, maintenance and refurbishment for our self-owned tower cranes.

During the Track Record Period, our provision of tower crane services has covered most of the provinces in the PRC, except for Tibet and Qinghai. For illustration purpose only, the map below shows the geographical coverage of our tower crane service business in the PRC and the locations of our operation centres, operational bases, tower crane yards and our Yangzhou Refurbishment Centre:



Following the implementation of China's Belt and Road Initiative and discussion with several of our long-term Chinese state-owned customers for overseas collaboration, we started to conduct market research and explore the possibility of expanding our business in Indonesia. After various market research and observation, our Directors believe the Indonesian market is a suitable market to gradually expand our business overseas due to its rapid development in the infrastructure and construction industries as a result of various favourable PRC and Indonesian local government policies. We also believe that with our in-depth industry know-how, strong technical capabilities, and reputable and loyal customer base, there is strong potential for us to expand in the Indonesian tower crane service industry, which has benefited from the increased

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infrastructure and construction projects carried out by the major Chinese state-owned enterprises and public companies in Indonesia, majority of which are our existing customers. We believe that we are well-positioned and have an advantage over our competitors in the PRC aiming to expand their business to Indonesia. Although we do not expect to generate a substantial portion of our revenue from our business in Indonesia in the near future, our Directors are also of the view that by expanding with and undertaking projects from our customers in Indonesia, we can accumulate more overseas experience and project track record to boost our international reputation in the tower crane service industry and among our customers.

Our major tower crane service projects

We have participated in numerous major commercial, infrastructure, residential and energy EPC projects in the PRC since our commencement of business. We believe that with our extensive operational experience over 12 years in the tower crane service industry, we have possessed in-depth industrial knowledge and strong technical capabilities, which have allowed us to capture the significant market opportunities presented by the high growth of the PRC tower crane service market in the recent decade. During the Track Record Period, our major commercial, infrastructure, residential and energy EPC projects in the PRC include, among others:

Commercial

- 上海華潤置地項目 (Shanghai CR Land Project) – the project site was located in Nanqiao New City, Fengxian District, Shanghai, the PRC. The project duration was approximately 10 months. The total construction area of the project was approximately 154,767.3 sq.m. We deployed 11 tower cranes in total, and the total maximum lifting capacity of these tower cranes deployed was 2,745TM;
- 上海微創項目 (Shanghai Wicresoft Project) – the project site was located in Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC. The project duration was approximately 20 months. The total construction area of the project was approximately 140,000 sq.m. We deployed four tower crane in total, and the total maximum lifting capacity of these tower cranes deployed was 842TM; and
- 北京市中信銀行信息技術研發基地項目 (Beijing CITIC Bank IT Research and Development Centre Project) – the project site was located in Shunyi New Town, Shunyi District, Beijing, PRC. The project duration was approximately 29 months. The total construction area of the project was approximately 179,000 sq.m. We deployed six tower cranes in total, and the total maximum lifting capacity of these tower cranes deployed was 1,290TM.

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Infrastructure

- 福鼎沙埕灣大橋項目(A3標沙埕灣跨海大橋) (Fuding Shacheng Bay Cross-sea Bridge (Section A3 of Ningbo-Dongguan National Expressway Fujian Shacheng Bay Cross-sea Highway Passage Project)) – the project site was located in the Shacheng Bay Cross-sea Bridge. The project duration was approximately 20 months. The total construction area of the project was approximately 686,750 sq.m. We deployed four tower cranes in total, and the total maximum lifting capacity of these tower cranes deployed was 1,100TM;
- 北京大興新機場2527段工程項目 (Beijing Daxing International Airport Project No. 2527) – the project site was located in Beijing, the PRC. The project duration was approximately 12 months. The total construction area of the project was approximately 118,068 sq.m. We deployed five tower cranes and the total maximum lifting capacity of these tower cranes deployed was 725TM;
- 港珠澳大橋島隧工程東人工島項目 (Hong Kong-Zhuhai-Macao Bridge Project) – the project site was located in North District of the Artificial Island of the Hong Kong – Zhuhai – Macao Bridge Port, Hong Kong. The project duration was approximately 18 months. The total construction area of the project was approximately 134,375 sq.m. We deployed nine tower cranes in total, and the total maximum lifting capacity of these tower cranes deployed was 2,250TM; and
- 上海浦東國際機場三期擴建工程衛星廳及捷運車站鋼結構工程 (the expansion of halls and construction of steel structures of subway stations of the Phase Three of the Shanghai Pudong International Airport) – the project site was located in the South of Shanghai Pudong Airport Terminal 1 and Terminal 2, Pudong New District, Shanghai, the PRC. The project duration was approximately four months. The total construction area of the project was approximately 626,000 sq.m. We deployed four tower cranes and the total maximum lifting capacity of these tower cranes deployed was 8,480TM.

Residential

- 珠海城市中心保障房項目 (Zhuhai New City Centre Indemnificatory Apartments Project (Phase I)) – the project site was located in Zhuhai City Bonded North Living Area, Zhuhai, Guangdong province, the PRC. The project duration was approximately 12 months. The total construction area of the project was approximately 32,900 sq.m. We deployed five tower cranes in total and the total maximum lifting capacity of these tower cranes deployed was 1,750TM; and
- 海口恆大美麗沙住宅項目 (Meilisa Garden Project) – the project was located in Haikou City, Hainan province, the PRC. The project duration was approximately 18 months. The total construction area of the project was approximately 38,896 sq.m. We deployed five tower cranes in total and the total maximum lifting capacity of these tower cranes deployed was 725TM.

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Energy

- 江蘇LNG接收站擴建工程T-1206號LNG儲罐外罐工程項目 (Jiangsu Rudong LNG Project No. T-1206) – the project site is located in Rudong, Jiangsu province, the PRC. The project period was approximately 10 months. The total construction volume of the LNG container project was approximately 200,000 cu.m. We deployed two tower cranes and the total maximum lifting capacity of these tower cranes deployed was 550TM;
- 山西牛村鎮溫池村孟縣電廠項目 (Shanxi Niucun Wenchi Coal and Electricity Power Plant) – the project was located in Wenchi Village, Niucun Town, Shanxi province, the PRC. The project duration was approximately seven months. The total construction area of the project was approximately 372,000 sq.m. We deployed one tower crane and the maximum lifting capacity of the tower crane deployed was 3,055TM;
- 內蒙古錫林郭勒盟熱電廠項目 (Inner Mongolia Xilin Gol League Thermal Power Plant Project) – the project site was located in Xilin Gol League, Inner Mongolia, the PRC. The project duration was approximately 35 months. We deployed two tower cranes and the total maximum lifting capacity of these tower cranes deployed was 4,630TM; and
- 廣西北海LNG項目 (Beihai LNG Project) – the project site was located in Beihai, Guangxi province, the PRC. The project duration was approximately 13 months. We deployed four tower cranes and the total maximum lifting capacity of these tower cranes deployed was 1,130TM.

Top 10 projects completed during the Track Record Period

During the Track Record Period, we had completed 653 projects in the PRC. Our Directors confirmed that we did not have any loss-making projects during the Track Record Period. The table below sets out the key information of our top 10 projects completed by us during the Track Record Period:

Project name	Project type	Project duration ⁽¹⁾	Revenue recognised during each year/period of the Track Record Period ⁽²⁾ (excluding tax) (approximately RMB in million)	Location
上海閔行新城MHP0-1101單元 (Unit MHP0-1101, Minhang New Town, Shanghai)	Commercial	September 2017 to July 2019	2018: 2.3 2019: 8.1 2020: 2.5 2020630: –	Shanghai, PRC

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Project name	Project type	Project duration ⁽¹⁾	Revenue recognised during each year/period of the Track Record Period ⁽²⁾ (excluding tax) (approximately RMB in million)	Location
珠海長隆大魚館項目 (Zhuhai Changlong Big Fish House Project)	Commercial	October 2017 to September 2019	2018: 2.3 2019: 6.2 2020: 2.4 2020630: –	Zhuhai, Guangdong, PRC
杭州項目 (Hangzhou Project)	Commercial	October 2018 to January 2020	2018: – 2019: 3.6 2020: 7.1 2020630: 0.1	Hangzhou, Zhejiang, PRC
上海機施上海南大門項目 (Shanghai Jishi Shanghai South Gate Project)	Commercial	July 2018 to April 2020	2018: – 2019: 4.6 2020: 5.7 2020630: 0.1	Shanghai, PRC
昆明七彩第壹城八號地塊酒店項目 (Kunming Rainbow Yunnan First City Lot No. 8 Hotel)	Commercial	January 2018 to January 2020	2018: 1.0 2019: 4.6 2020: 4.2 2020630: –	Kunming, Yunnan, PRC
合肥磨店家園一期工程 (Hefei Modian Home Phase I)	Residential	August 2017 to November 2019	2018: 1.8 2019: 5.3 2020: 2.6 2020630: –	Hefei, Anhui, PRC
上海五建紹興上虞區城北1號地塊項目 (Shanghai Wujian Shaoxing Shangyu District North Plot 1 Project)	Commercial	October 2018 to June 2020	2018: – 2019: 2.9 2020: 6.4 2020630: 0.3	Shaoxing, Zhejiang, PRC
顯示器件生產線項目施工總承包A標段 (Display device production line project (section A))	Infrastructure	February 2019 to December 2019	2018: – 2019: 0.4 2020: 9.1 2020630: –	Shenzhen, Guangdong, PRC
武漢高世代薄膜電晶體液晶顯示器件(TFT-LCD)生產線項目(A標段) (Wuhan High-Generation Thin Film Transistor Liquid Crystal Display Device (TFT-LCD) Production Line Project (A Section))	Infrastructure	May 2018 to December 2018	2018: – 2019: 9.4 2020: nil 2020630: –	Wuhan, Hubei, PRC

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Project name	Project type	Project duration ⁽¹⁾	Revenue recognised during each year/period of the Track Record Period ⁽²⁾ (excluding tax) (approximately RMB in million)	Location
深圳寶荷欣苑二期項目 (Shenzhen Baohe Xinyuan Phase II Project)	Residential	December 2017 to September 2019	2018: 1.4 2019: 5.2 2020: 2.4 2020630: –	Shenzhen, Guangdong, PRC

Notes:

1. Project duration refers to the period from the issue date of the entrance certificate which signifies the date of our team entering the designated project site until the issue date of the certification of completion which signifies the completion of our project and all our tower cranes uninstalled and dismantled from the construction sites; and
2. 2018 refers to the financial year ended 31 March 2018; 2019 refers to the financial year ended 31 March 2019; 2020 refers to the financial year ended 31 March 2020; and 2020630 refers to the three months ended 30 June 2020.

Top 10 projects in progress as at 30 June 2020

As at 30 June 2020, we had a total of 269 projects in progress in the PRC, which represent projects granted to us but have not yet been completed. We recognised a total revenue of approximately RMB641.1 million from these projects in progress during the Track Record Period. The table below sets out the information of our top 10 projects in progress as at 30 June 2020:

Project name	Project type	Commencement date with expected completion date	Contract value (RMB in million)	Revenue recognised during each year/period of the Track Record Period ⁽¹⁾ (excluding tax) (approximately RMB in million) ⁽²⁾	Total expected revenue for the nine months ending 31 March 2021 (approximately RMB in million)	Location
福建寧德工程項目 (Ningde Xiapu Project)	Energy	August 2017 to November 2022	36.1	2018: 2.0 2019: 8.1 2020: 9.1 2020630: 2.6	5.1	Ningde, Fujian, PRC
上海五建蘭州榮光隴匯廣場項目 (Lanzhou Rongguang Longhui Plaza Project)	Commercial	July 2019 to June 2022	31.2	2018: – 2019: – 2020: 6.3 2020630: 2.8	6.3	Lanzhou, Gansu, PRC

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Project name	Project type	Commencement date with expected completion date	Contract value (RMB in million)	Revenue recognised during each year/period of the Track Record Period ⁽¹⁾ (excluding tax) (approximately RMB in million) ⁽²⁾	Total expected revenue for the nine months ending 31 March 2021 (approximately RMB in million)	Location
連雲港項目三期 (Lianyungang Phase 3)	Energy	November 2015 to August 2020	25.7	2018: 7.5 2019: 6.6 2020: 3.7 2020630: 0.4	0.3	Lianyungang, Jiangsu, PRC
湖州太湖龍之夢樂園 (Huzhou Taihu Dragon Dream Park)	Commercial	June 2016 to December 2020	23.2	2018: 8.7 2019: 6.8 2020: 2.1 20200630: 0.2	0.9	Huzhou, Zhejiang, PRC
大連項目二期 (Dalian Construction Project Phase II)	Energy	May 2014 to March 2021	22.6	2018: 8.2 2019: 5.1 2020: 3.1 2020630: 0.4	1.2	Dalian, Liaoning, PRC
重慶中迪廣場項目 (Chongqing Zhongdi Plaza)	Commercial	April 2017 to December 2020	20.3	2018: 5.1 2019: 5.9 2020: 5.6 2020630: 2.0	3.6	Chongqing, Sichuan, PRC
晟通梅溪湖二期項目 (Chengtong Meixi Lake Phase II Project)	Commercial	October 2019 to October 2022	17.5	2018: – 2019: – 2020: 0.8 20200630: 0.8	3.5	Wuhan, Hubei, PRC
龍威工程項目 (Longwei Construction Project)	Energy	March 2020 to February 2024	17.1	2018: – 2019: – 2020: nil 20200630: 0.4	2.4	Jiajiang, Sichuan, PRC
香港中心項目 (Hong Kong Centre Project)	Commercial	December 2018 to October 2021	16.3	2018: – 2019: 0.8 2020: 4.4 20200630: 1.5	2.9	Wuhan, Hubei, PRC
佛山市蘇寧廣場項目 (Foshan Suning Plaza Project)	Commercial	April 2018 to May 2022	16.2	2018: – 2019: – 2020: 2.9 2020630: 1.9	4.4	Foshan, Guangdong, PRC

Notes:

- 2018 refers to the financial year ended 31 March 2018; 2019 refers to the financial year ended 31 March 2019; 2020 refers to the financial year ended 31 March 2020; and 2020630 refers to the three months ended 30 June 2020; and
- As at 30 June 2020, we had 269 projects in progress.

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Top 10 projects on hand as at 30 June 2020

As at 30 June 2020, we had a total of 29 projects on hand with a total expected contract value of approximately RMB130.9 million, which represent service contracts awarded to us but had not yet been started. The table below sets out the information of our top 10 projects on hand as at 30 June 2020:

Project name	Project type	Expected contract value (approximately RMB in million)	Expected commencement date	Total expected revenue for the nine months ending 31 March 2021 (approximately RMB in million)	Location
霞浦示範快堆主體工程項目 (Main Project of Xiapu Demonstration Fast Reactor)	Energy	30.6	October 2020	6.7	Ningde, Fujian, PRC
上海市浦東新區航頭拓展大型居住社區01-03地塊租賃住房項目 (Shanghai Pudong New District Pioneer Large-Scale Residential Community Expansion Project for Plot 01-03 Rental Housing)	Residential	8.2	November 2020	6.0	Shanghai, PRC
房山區琉璃河鎮FS06-0101-6006、6007地塊(董家林、黃土坡兩村安置房)項目 (Fangshan District, Liulihe Town, Plot FS06-0101-6006、6007 (Relocation Houses in Dongjialin and Huangtupo Villages) Project)	Residential	7.3	August 2020	5.7	Beijing, PRC
海口華潤中心三期 (Haikou China Resources Centre Phase III)	Commercial	7.1	August 2020	4.7	Haikou, Hainan, PRC

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Project name	Project type	Expected contract value (approximately RMB in million)	Expected commencement date	Total expected revenue for the nine months ending 31 March 2021 (approximately RMB in million)	Location
泰州華潤中心B2地塊塔樓項目 (Taizhou China Resources Plot B2 Block Tower Project)	Commercial	6.9	August 2020	2.4	Taizhou, Jiangsu, PRC
昌平區沙河鎮七里渠南北村QLQ-004地塊綜合性商業金融服務業項目 (Changping District, Shahe Town, Qiliqu, Nanbei Village Plot QLQ-004 Project for Comprehensive Commercial Financial Service Industry)	Commercial	6.5	December 2020	5.4	Beijing, PRC
通州大都會濱江項目 (Tongzhou Metropolitan Binjiang Project)	Commercial	5.4	July 2020	5.4	Tongzhou, Beijing, PRC
新江灣城F區F1-B地塊商辦項目 (Commercial Office Project of Plot F1-B F District of Xiangjiangwan City)	Commercial	5.2	July 2020	2.9	Shanghai, PRC
鎮江好未來項目 (Zhenjiang Good Future Project)	Commercial	4.8	September 2020	3.8	Zhenjiang, Jiangsu, PRC
中國總部項目 (China Headquarters Project)	Commercial	4.3	August 2020	3.6	Beijing, PRC

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Movement of our outstanding contract value during the Track Record Period

Our outstanding contract value represents our estimate of the contract work that remains to be completed as at each balance sheet date. Our outstanding contract value is calculated by using the sum of outstanding contract value of our projects in progress and projects on hand minus the revenue recognised from our completed project work during each period of the Track Record Period. The outstanding contract value generally represents (i) the amount that we expect to receive under our contract if such contract is performed in accordance with the terms stipulated in the contract; and (ii) the estimated amount based on our expectation on project extensions and/or additional service work required with reference to the original contract terms. Our methodology for determining outstanding contract value may not be comparable to the methodology used by other companies in determining their backlog. The outstanding contract value may also not be indicative of our future operating results. The amount of revenue recognised for certain contracts may also be different from its expected original contract value as it is common that our customers will extend the project period or request us to provide more service work.

The table below sets out certain movement of our project contract value (all excluding tax) as at the beginning of or during each period of the Track Record Period and as at 30 November 2020:

	<u>Number of contracts</u>	<u>RMB in million (approximately)</u>
As at 1 April 2017		
Outstanding contract value	342	733.5
During the year ended 31 March 2018		
New contract value	199	592.5
Number of contracts completed/Revenue recognised ⁽¹⁾	202	(549.1)
As at 1 April 2018		
Outstanding contract value	339	776.9
During the year ended 31 March 2019		
New contract value	180	517.1
Number of contracts completed/Revenue recognised ⁽¹⁾	196	(656.0)
As at 1 April 2019		
Outstanding contract value	323	638.0
During the year ended 31 March 2020		
New contract value	194	792.1
Number of contracts completed/Revenue recognised ⁽¹⁾	204	(744.9)

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	<u>Number of contracts</u>	<u>RMB in million (approximately)</u>
As at 31 March 2020		
Outstanding contract value	313	685.2
During the three months ended 30 June 2020		
New contract value	36	232.6
Number of contracts completed/Revenue recognised ⁽¹⁾	51	(204.9)
As at 30 June 2020		
Outstanding contract value	298	712.9
During the period from 1 July 2020 to 30 November 2020		
New contract value	89	332.1
Number of contracts completed/ Contract work completed (<i>unaudited</i>)	113	(338.5)
As at 30 November 2020		
Outstanding contract value	274	706.5
Number of contracts expect to be completed/Contract work expected to be completed for the year ending 31 March 2021 (<i>unaudited</i>)	73	267.6
Number of contracts expect to be completed/Contract work expected to be completed for the year ending 31 March 2022 (<i>unaudited</i>)	171	352.6
Number of contracts expect to be completed/Contract work expected to be completed after 31 March 2022 (<i>unaudited</i>)	30	86.3

Note:

1. Revenue recognised referred to our total revenue recognised during the year/period, which included revenue recognised for our completed projects and projects in progress during the same year/period.

OUR TOWER CRANES

The tower cranes we use for the provision of our tower crane solution services are topless tower cranes, topkit tower cranes and luffing jib tower cranes. We typically employ more than one type of tower cranes in a particular project to meet our customers' technical requirements and deliver high quality tower crane solution services. As at the Latest Practicable Date, we owned a fleet of 1,008 tower cranes. According to the relevant laws of the PRC, there is generally no limitation on the lifespan of the tower cranes used by us if we have fulfilled the requirement to (i) make a filing with the competent construction department of the local government before installing or leasing the tower cranes for the first time; and (ii) register the installation acceptance data of the tower cranes used in a particular project with the competent construction department of the local government where the particular project is located, within 30 days after obtaining the installation acceptance of such tower cranes.

Topless tower cranes have innovative structures, as they are designed with focuses on safety, reliability, strong fatigue resistance and impact resistance. The design of topless tower cranes' zero tie rods reduces tower height and therefore topless tower cranes are highly adaptable and can function under various working environments. Topless tower cranes are easy to erect and dismantle, especially on confined sites with multiple other cranes in operation. Due to their technical specifications, topless tower cranes are commonly used in nuclear projects. As at the Latest Practicable Date, we owned 693 topless tower cranes, and our largest self-owned topless tower crane bears maximum lifting capacity of 2,120TM.



Topkit tower cranes are designed with focuses on safety and reliability. Topkit tower cranes have smaller boom cross-sections, enabling better force-bearing capability and thereby improving overload resistibility. Compared with other models of tower cranes, the forces borne by topkit tower cranes' booms with smaller cross-sections are reduced by the adaptations of their tie rod structures, this means that topkit tower cranes generally have longer useful lives.

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The transportation costs for topkit tower cranes are relatively reduced due to their tie rod structures. Topkit tower cranes are the most commonly used tower cranes in the tower crane service industry as topkit tower cranes are suitable for a wide range of applications. As at the Latest Practicable Date, we owned 281 topkit tower cranes, and our largest topkit tower crane bears maximum lifting capacity of 1,200TM.

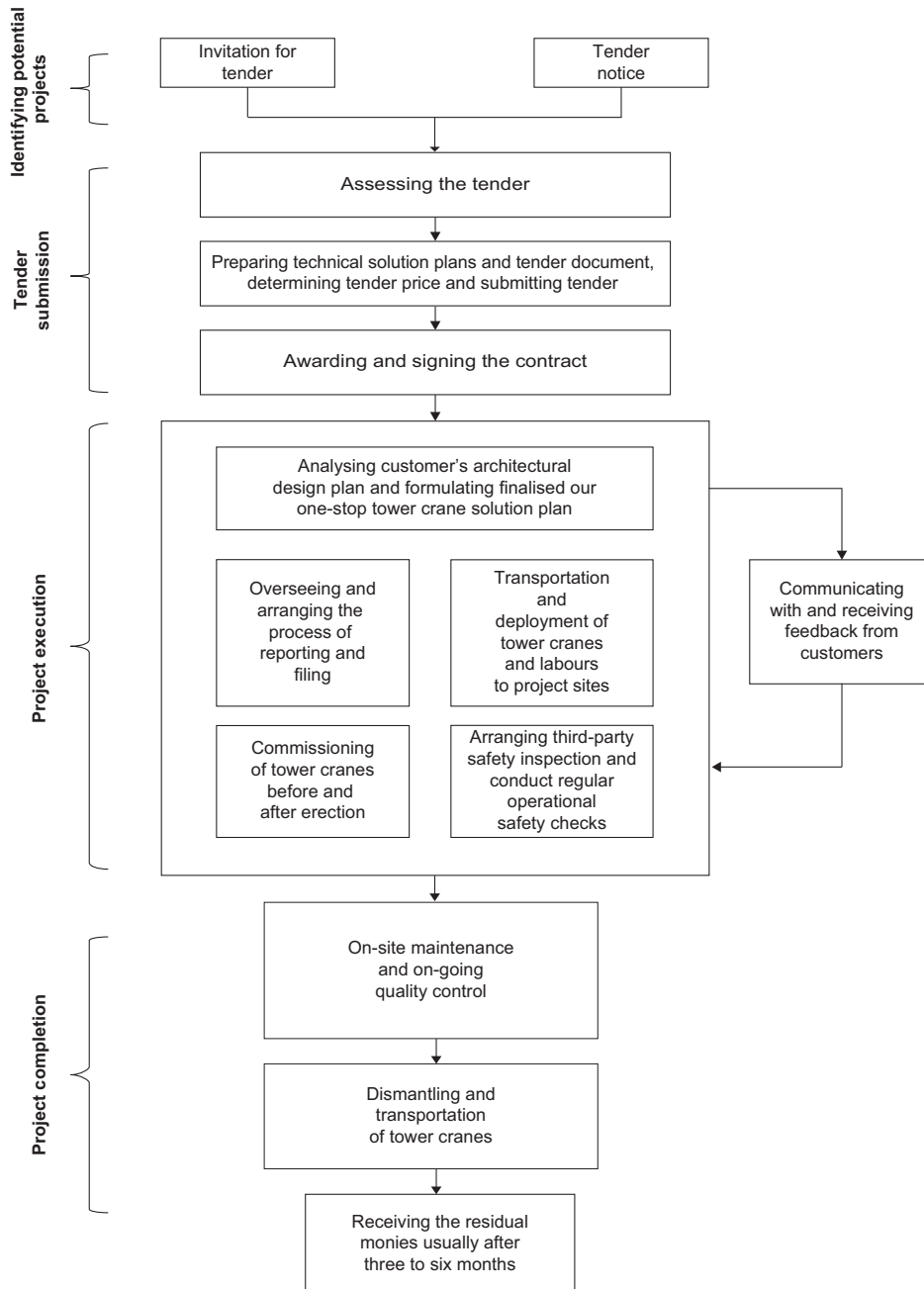


Luffing jib tower cranes are equipped with advanced slewing mechanisms which effectively enhance force-bearing capability and improve their horizontal stiffness. Luffing jib tower cranes have shorter slewing radiuses at the ends of the main bodies of the tower cranes. As the boom of the luffing jib tower crane can be lifted up as it traverses, collisions between booms and nearby buildings when employed in confined sites can be avoided, especially for demolition or reconstruction work in city centres. Luffing jib tower cranes have large load moments and a wide operating range, therefore it is advantageous to deploy luffing jib tower cranes in constructions of high-rise towers and skyscrapers. Luffing jib tower cranes are highly flexible and well operated in narrow spaces. Due to their technical specifications, luffing jib tower cranes are commonly used in constructions of commercial properties. As at the Latest Practicable Date, we owned 34 luffing jib tower cranes, and our largest luffing jib tower crane bears maximum lifting capacity of 720TM.



OUR BUSINESS OPERATION

The diagram below sets out our key operating procedures:



Identifying potential projects

We are currently listed as an approved tower crane service supplier for the majority of our customers that are major Chinese Special-tier and Tier-1 EPC contractors, which means that we are equipped with the requisite qualifications and expertise to participate in the bidding of projects conducted by them. Further, certain of our employees are also members of various industry-related associations and societies. By participating in annual and regular meetings of

these industry-related organisations, our personnel can reach out to the technical specialists and project leaders of our existing and potential customers on a non-formal basis, which essentially reinforce our business relationship with our existing customers, which are more likely to offer recurring business opportunities, and broaden our potential customer network.

In addition, based on the online-published performance index and/or indicators of various large Chinese state-owned, public and private construction enterprises, we also strategically conduct visits to targeted potential customers to showcase our project portfolio and express our interest in future business cooperation. We also sometimes obtain business opportunities through our suppliers' introduction and will follow up by conducting customised customer tracking.

Tendering for projects

Assessing tenders

After identifying the potential projects, our marketing department will consider factors such as the availability and idleness of our tower cranes, the reputation and overall profile of the main contractors of the potential projects before conducting the initial assessment on the prequalification requirements. These prequalification requirements are usually set out in the tender documents, which typically include the scope of the tender, duration of the project, geological location, the specifications including the required maximum lifting capacity and the height of the tower cranes, the estimated transportation and labour costs, and the predicted obstacles of conducting tower crane services in the designated areas, including erection and dismantling.

After completing the initial assessment, our marketing department will report to our management on the suitability of the potential tenders. We will commence to formally prepare for tenders once our management grants the approval to proceed.

Preparing for tenders

Our marketing department, with the assistance of our other operating departments is responsible for preparing the tenders. During the preparation process, all relevant operating departments will thoroughly discuss the operational details and technical specifications for the particular project. We will look attentively at the specific construction materials/items to be lifted, such as, their weights and shape. We will then give considerations to, for example, the physical obstacles for wrapping and bundling up such materials/items, the time needed for jacking, the number and height of the tower cranes required and the strategic layout of such tower cranes in the designated project sites. Further, we will consider the challenges we may encounter in erection and dismantling, including but not limited to, the means of erection, the design and strengths of all components forming and supporting the mast and the ancillary equipment for and the predicted maximum wind speed when dismantling the tower cranes. Moreover, we will also conduct site visits to project locations to assess whether our initial planning is practical and feasible.

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Determining tender prices

When determining our pricing, we consider factors such as, the duration of the project, the height, the maximum lifting capacity and the quantities required for each model of tower crane to be deployed for the projects and the geographical location of the project sites. We also consider, including but not limited to, the specifications and the related parts, components and accessories required, our travelling and labour costs, and the daily work and/or services required to determine the size of our project operation team. Moreover, we will take into account the weather condition of the project area and whether such area is prone to typhoons and/or earthquakes as we will have to install additional components for reinforcement and safety purposes.

Submitting tenders

Our marketing department will submit the tender in accordance with the requirements set out in the tender documents. We will then attend and participate in discussions and comparisons in technical bids in accordance to tender requirements. We may be invited to attend a post-tender meeting with our customer before the result is announced to further negotiate certain commercial terms.

Award and signing of service contracts

Once our tender is accepted by our customer, we will enter into formal service contract with our customer upon receiving a letter of acceptance. The letter of acceptance is a legally binding document between our customer and us, pursuant to which, we are required to comply with all requirements in the tender documents. Once agreed, we will sign the formal service contract with our customer.

The table below sets out the number of projects we have tendered for and the number of projects we have been awarded for the period indicated:

	Year ended 31 March			Three months ended
	2018	2019	2020	30 June 2020
Total number of the tender projects . . .	532	500	455	45
Total number of the awarded projects . .	199	180	194	29
Success rate (approximately %)	37	36	42	64

Execution of projects

We prepare execution plans based on project requirements. Please see below our general procedures in providing one-stop solution services:

- *Technical design process* – we will analyse the architectural design plan provided by the client, taking into account various factors including lifting content, such as single piece weight, construction requirements and height distribution, to formulate our finalised one-stop tower crane solution plan; we will conduct onsite diligence to understand all aspects of construction requirements; we will analyse the optimal tower crane mix based on lifting capacity and specifications required; we will then prepare comprehensive service solution addressing all client objectives;
- *Reporting and filing* – we will arrange signing of tower crane service contract; contract filing with and issuance of erection notice to relevant government authorities; inspection will be conducted by relevant government authorities; when applicable, we will apply for tower crane identity cards and certificates for local tracking and inspection;
- *Transportation and installation* – we issue transfer order and loading plan, compare pricing for transportation and logistics and confirm transportation and logistics plan; we will conduct onsite safety briefing, install anchors, arrange for crane onboarding; we will proceed to prepare for installation, base installation, cage assembly lifting, installation of slewing units, tops, control units, balance arm, initial counter weight, boom and remaining counter weight, jacking operation for additional sections and commissioning;
- *Commissioning* – commissioning before erection involves mechanism commissioning, pulley wheel and guide wheel commissioning, electrical system commissioning and hydraulic system commissioning; commissioning after erection involves no-load test, rated load test, 110% moving test and 125% static load test;
- *Safety inspection* – we will coordinate for the safety inspection filing and notification/apply for user certificate; once the notification receipt is obtained, we will arrange for onsite test by the relevant government authority; if tower cranes are qualified, test report will be available; on the other hand, if any of the tower cranes are not qualified under the test, request for rectification of potential issues and re-inspection after such rectification completed until obtain test report;
- *Lifting operation, wall tie, jacking and safety check* – our daily operation checklist involves early shift meeting, pre-operation checks, equipment operation and off-duty checks; installation of wall ties and jacking of masts to elevate tower crane; our safety checks involve conducting daily, monthly and quarterly inspections;

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- *On-site maintenance* – all identified issues to be resolved by general project managers through customer service centre and/or iSmartCon which tracks repair and implementation progress by tower crane and maintenance managers, and coordinate resources to improve maintenance efficiency and effectiveness;
- *On-going quality control* – we will conduct customer visits regularly to better understand their feedback; our customer service centre will also call customers to conduct customer surveys and resolve complaints; and
- *Project completion, dismantling, transport and repair* – we will conduct on-site inspection towards the completion of the project; we will communicate with our customers to decide the solution plan and the suitable time to dismantle our tower cranes; we will conduct customer survey to ensure customer satisfaction; we will apply for governmental approval for our dismantling plan once our management agrees with such plan; our management will then issue deployment notice on the next destination of our tower cranes; we will arrange pre-transportation checks for our tower cranes and will ensure our tower cranes undergo repair and maintenance procedures before next deployment.

Labour subcontracting

We had engaged third-party labour subcontractor providers during the Track Record Period to provide personnel to take up certain on-site roles, such as, operators, signal supervisors, repair and maintenance workers and handymen. We generally engage our approved labour subcontractor providers on a project basis as they are familiar with our requirements. As the number of tower crane operators or related personnel required for each project is typically specified in our customers' tender documents, we are able to estimate our needs and cost of labour subcontracting at an early stage.

We generally select these third-party labour subcontractor providers based on price, reputation, geographical coverage, past experience, quality of labour provided and their efficiency in labour arrangements. As we are familiar with the market rates, we will ensure that the third-party labour subcontractor providers we have on our approved list offer competitive prices. We typically examine and obtain copies of the business licenses of these third-party labour subcontractor providers during our selection process and conduct regular checks on their relevant licences and certificates to ensure that they remain compliant with all relevant laws and regulations. The labour subcontractors to be provided by these third-party labour subcontractor providers to us are required to submit their relevant experience and qualifications for tower crane work and/or services in accordance with our requirement. In addition, we also require our labour subcontractor providers to submit monthly individual tax filing and payment slip of each labour subcontractor supplied to us for our verification purpose. We have implemented an internal Labour Subcontracting Management Measures (勞務分包管理辦法) to monitor our approved labour subcontractor providers during the Track Record Period, and collect and review their labour subcontractor evaluation form (勞務分包商考核評價表) submitted by each of our subsidiary every year. As at the Latest Practicable Date, we had five approved independent third-party labour subcontractor providers, one of which had business relationship with us for more than 10 years.

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We typically enter into framework service agreements with our third-party labour subcontractor providers for a term generally ranging from one to two years. Set out below are the material terms of our framework service agreements entered into with our third-party labour subcontractor providers:

- *Scope of work* – The labour subcontractor providers are required to provide qualified labour subcontractors with specified qualifications and experience to carry out the required work and/or services for our tower crane service projects;
- *Duration of service* – The duration of services varies from projects to projects, and should there be any project delay, the duration of labour subcontracting services shall be prolonged with our project schedule;
- *Payment terms* – The labour subcontractor providers are required to prepare monthly invoices reflecting the total unit costs of labour and services they provided. We will then review and certify such monthly invoices and agree on the monthly settlement value with the labour subcontractor providers. The labour subcontractor providers are required to settle the salaries and other benefits with the labour subcontractors provided to us accordingly; and
- *Satisfactory performance* – We reserve the right to request for substituting labour if work and/or services performed by a particular labour subcontractor is unsatisfactory. Further, should the labour subcontractors' unsatisfactory performance or misconduct cause any project delays, safety-related accidents and/or fines in relation to on-site non-compliances, the labour subcontractor providers will undertake the relevant responsibilities.

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our fees incurred for labour subcontracting amounted to approximately RMB174.9 million, RMB177.3 million, RMB174.4 million and RMB52.4 million, respectively, representing approximately 42.3%, 37.4%, 35.5% and 40.2% of our cost of sales for the same periods, respectively.

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The tables below set out the basic information of all of our labour subcontractor providers engaged during the Track Record Period:

Year ended 31 March 2018

Name of labour subcontractor provider	Major services procured from the labour subcontractor provider	Approximate amount of costs incurred to the labour subcontractor provider (approximately RMB'000)	Approximate percentage of our total labour subcontracting costs (%)	Background of the labour subcontractor provider	Principal business of the labour subcontractor provider	Approximate year(s)/month(s) of business relationship as at 31 March 2018
Labour subcontractor C ⁽¹⁾	Labour subcontracting services	98,062	56.1	Private company	A labour subcontracting company engaged in the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting	1 year
Labour subcontractor A	Labour subcontracting services	72,468	41.4	Private company	A labour subcontracting company engaged In the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting	12 years
Labour subcontractor B	Labour subcontracting services	4,360	2.5	Private company	A labour subcontracting company engaged in the (i) labour dispatch and construction labour subcontracting, and (ii) construction and metal materials	6 years

Note:

1. Mr. Wang, the substantial shareholder, legal representative and director of our Labour subcontractor C is also the sole shareholder of our Supplier E. To the best knowledge of our Directors, (i) Mr. Wang was not involved in the operation of Supplier E but was involved in the daily operation and management of Labour subcontractor C; and (ii) Labour subcontractor C and Supplier E do not involve in each other's daily operation and are managed by different management teams.

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Year ended 31 March 2019

Name of labour subcontractor provider	Major services procured from the labour subcontractor provider	Approximate amount of costs incurred to the labour subcontractor provider (approximately RMB'000)	Approximate percentage of our total labour subcontracting costs (%)	Background of the labour subcontractor provider	Principal business of the labour subcontractor provider	Approximate year(s)/month(s) of business relationship as at 31 March 2019
Labour subcontractor C ⁽¹⁾	Labour subcontracting services	63,788	36.0	Private company	A labour subcontracting company engaged in the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting	2 years
Labour subcontractor A	Labour subcontracting services	58,397	32.9	Private company	A labour subcontracting company engaged in the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting	13 years
Labour subcontractor D	Labour subcontracting services	48,104	27.1	Private company	A labour subcontracting company engaged in the construction labour subcontracting, supply chain management and human resources consultancy	3 months

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Name of labour subcontractor provider	Major services procured from the labour subcontractor provider	Approximate amount of costs incurred to the labour subcontractor provider (approximately RMB'000)	Approximate percentage of our total labour subcontracting costs (%)	Background of the labour subcontractor provider	Principal business of the labour subcontractor provider	Approximate year(s)/month(s) of business relationship as at 31 March 2019
Labour subcontractor B	Labour subcontracting services	7,010	4.0	Private company	A labour subcontracting company engaged in the (i) labour dispatch and construction labour subcontracting, and (ii) construction and metal materials	7 years

Note:

- Mr. Wang, the substantial shareholder, legal representative and director of our Labour subcontractor C is also the sole shareholder of our Supplier E. To the best knowledge of our Directors, (i) Mr. Wang was not involved in the operation of Supplier E but was involved in the daily operation and management of Labour subcontractor C; and (ii) Labour subcontractor C and Supplier E do not involve in each other's daily operation and are managed by different management teams.

Year ended 31 March 2020

Name of labour subcontractor provider	Major services procured from the labour subcontractor provider	Approximate amount of costs incurred to the labour subcontractor provider (approximately RMB'000)	Approximate percentage of our total labour subcontracting costs (%)	Background of the labour subcontractor provider	Principal business of the labour subcontractor provider	Approximate year(s)/month(s) of business relationship as at 31 March 2020
Labour subcontractor D	Labour subcontracting services	172,359	98.8	Private company	A labour subcontracting company engaged in the construction labour subcontracting, supply chain management and human resources consultancy	15 months

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Name of labour subcontractor provider	Major services procured from the labour subcontractor provider	Approximate amount of costs incurred to the labour subcontractor provider (approximately RMB'000)	Approximate percentage of our total labour subcontracting costs (%)	Background of the labour subcontractor provider	Principal business of the labour subcontractor provider	Approximate year(s)/month(s) of business relationship as at 31 March 2020
Labour subcontractor C ⁽¹⁾	Labour subcontracting services	1,846	1.1	Private company	A labour subcontracting company engaged in the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting	3 years
Labour subcontractor A	Labour subcontracting services	199	0.1	Private company	A labour subcontracting company engaged In the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting	14 years
Labour subcontractor B	Labour subcontracting services	2	0.0	Private company	A labour subcontracting company engaged in the (i) labour dispatch and construction labour subcontracting, and (ii) construction and metal materials	8 years

Note:

- Mr. Wang, the substantial shareholder, legal representative and director of our Labour subcontractor C is also the sole shareholder of our Supplier E. To the best knowledge of our Directors, (i) Mr. Wang was not involved in the operation of Supplier E but was involved in the daily operation and management of Labour subcontractor C; and (ii) Labour subcontractor C and Supplier E do not involve in each other's daily operation and are managed by different management teams.

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Three months ended 30 June 2020

Name of labour subcontractor provider	Major services procured from the labour subcontractor provider	Approximate amount of costs incurred to the labour subcontractor provider (approximately RMB'000)	Approximate percentage of our total labour subcontracting costs (%)	Background of the labour subcontractor provider	Principal business of the labour subcontractor provider	Approximate year(s)/months of business relationship as at 30 June 2020
Labour subcontractor D	Labour subcontracting services	52,354	100	Private company	A labour subcontracting company engaged in the construction labour subcontracting, supply chain management and human resources consultancy	1 year and 6 months

All of our labour subcontractor providers during the Track Record Period were independent third parties. To the best knowledge of our Directors, save as disclosed, (i) there was/is no any other past and present relationship (business, employment, family, financing or otherwise) between each of our labour subcontractor providers and our Group (including our Shareholders, their subsidiaries, directors, senior management or any of their respective associates) or any of their customers and suppliers; and (ii) none of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our labour subcontractor providers during the Track Record Period.

Background information on our labour subcontractor providers during the Track Record Period

Labour subcontractor A

Labour subcontractor A is a private company established in August 1993 in the PRC with a registered capital of RMB6 million. Labour subcontractor A primarily engages in the (i) sale and trading of construction and decoration materials; and (ii) labour dispatch and construction labour subcontracting. To the best knowledge of our Directors, the majority of Labour subcontractor A's customers are primarily engaged in the construction industry, and Labour subcontractor A mainly provides workers to perform on-site roles in customers' designated project sites, such as operators and signal supervisors.

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Labour subcontractor B

Labour subcontractor B is a private company established in February 2010 in the PRC with a registered capital of RMB2 million. Labour subcontractor B primarily engages in the (i) labour dispatch and construction labour subcontracting, and (ii) sale of construction and metal materials.

Labour subcontractor C

Labour subcontractor C is a private company established in January 2017 in the PRC with a registered capital of approximately RMB2.1 million. Labour subcontractor C primarily engages in the construction labour subcontracting, supply chain management and human resources consultancy. To the best knowledge of our Directors, the majority of Labour subcontractor C's customers are primarily engaged in the construction industry, and Labour subcontractor C mainly provides workers to perform on-site roles in customers' designated project sites, such as operators.

Labour subcontractor D

Labour subcontractor D is a private company established in July 2018 in the PRC with a registered capital of RMB2 million. Labour subcontractor D primarily engages in the construction labour subcontracting, supply chain management and human resources consultancy. To the best knowledge of our Directors, Labour subcontractor D is established and ultimately owned by a foreign-invested one-stop solution human resource service provider in Chongqing, the PRC to specifically provide labour subcontracting services to companies engaged in the construction industry. The ultimate shareholder of Labour subcontractor D, together with various companies established by it, had more than 15 years of experience in human resource service industry possessing a wide geographical coverage and customer base. Further, to the best knowledge of our Directors, (i) the ultimate shareholder of Labour subcontractor D has established professional service institutions in Chongqing, Shenzhen, Sichuan, Guizhou, Yunnan, Anhui, Henan and Heilongjiang as well as having long-standing business relationship with various business partners in Beijing, Shanghai, Guangzhou, Hunan, Hubei, Heilongjiang, Zhejiang, Shanxi, Shandong, Jiangsu, Anhui, Fujian and Xinjiang, and (ii) its customers include a large PRC real estate company and a large PRC property developer which is also a listed company in Hong Kong. Labour subcontractor D can share the resources and network of its ultimate owner.

RESEARCH AND DEVELOPMENT

During the Track Record Period, we had invested great amount of effort in research and development of tower crane technical solutions and internal operational platforms and integrated information systems. As at the Latest Practicable Date, we had 60 personnel in our research and development team and possessed a total of 41 patents for utility models and inventions relating to tower cranes. We believe that our robust technical capabilities have enabled us to win projects in the past and our enhancement in our research and development capabilities for tower crane technical solutions have also allowed us to achieve excellent

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delivery in our services. For our research and development of our tower crane technical solutions, our research and development team conducts ongoing researches and developed adjustable steel beams for internal climbing tower cranes, internal and reaction forces of external tower crane support structures and application of prefabricated tower crane attachment and embedding parts for structural building. We also study on recyclable tower crane attachment hoop device and tower crane base load parameters and basic calculation programmes. Further, we conduct researches on inner climbing frame adjustment hydraulic support devices, self-installing device for steel beam of internal climbing tower cranes, and intelligent multi-function limiters. In 2019, we newly obtained four patents relating to our tower crane hydraulic pump station, tower crane hydraulic cylinder and tower cranes stabilising system.

We also have a separate design team to focus on designing and developing software tools and applications, particularly on mobile applications, to make full use of the enhanced connectivity to materialise timely integration of information to effectively support work flow management. We have developed operational platforms and integrated information systems, such as our iSmartCon, LEAP system, expense control system and insurance management system to increase our overall responsiveness to operational tasks within the Group and thereby improving overall operational efficiency. Please refer to the section headed “Business – Information systems” in this prospectus for more details of our information systems.

In future, we will continue to improve our operational efficiency and service quality through the enhancement of our technical capabilities and software platforms so that we can meet evolving demand of our customers and stay competitive in the market. Further, we will continue our industry-university research collaboration with Shenyang Jianzhu University and seek more strategic cooperation with renowned universities and research and development centres in order to enhance our development in technologies and patents for our tower crane services.

OUR CUSTOMERS

Our customers are typically Chinese Special-tier and Tier-1 EPC contractors, which mainly comprise Chinese state-owned enterprises and public companies. According to Frost & Sullivan, downstream customers of the tower crane service industry are main contractors (primarily Special-tier and Tier-1 EPC contractors), which are mainly the large construction conglomerates in China that are the key players in the PRC construction industry. According to China Construction Industry Association, large-scale Special-tier and Tier-1 EPC contractors are awarded approximately 70% of the new construction contracts in terms of contract value in the PRC each year. These large PRC construction conglomerates generally conduct their nationwide construction business through their subsidiaries and/or associates, each being a separate legal entity that is also a Special-tier or Tier-1 EPC contractor. As a tower crane solution service provider, we typically enter into contracts and provide our services to the subsidiaries and/or associates of these large PRC construction conglomerates directly. Our customers engage us to provide tower crane solution services on a project-by-project basis and generally settle our payment on a monthly basis based on the units of services we provide, such as, the number of tower cranes and labour we have deployed to the project sites and in accordance with the terms specified in the signed service contracts.

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We believe that, with our strong industrial expertise and brand reputation accumulated throughout the years and our technical capabilities in providing one-stop tower crane solution services, we have established our leading position in the PRC tower crane service market and maintained a stable, reputable and loyal customer base to well capture the opportunities in the construction industry in the PRC. We are earnest about reflecting our core values, which are “Virtue (厚德)”, “Safety (安全)” and “Excellence (卓越)” to our customers. During the tender stages and before being awarded the projects, we take initiatives to prepare and propose feasible technical solution plans for our customers. We also consider the cost of each suggested plans, which leads to accurate cost estimation for our customers. Based on our experience, we will conduct preliminary research, taking into account the factors that our customers most concerned about, such as, the cost-effectiveness and accuracy of our technical solution plans. We believe that by demonstrating our professionalism and eagerness to our potential customers, we can significantly increase our chances in securing future projects and recurring business opportunities.

Through our years of operation, we have established stable business relationship with our customers. As at the Latest Practicable Date, we had 187 customers in the PRC and had on average over 10 years of business relationship with all of our top five customers during the Track Record Period. Some of these customers have given us recurring work and also provided us with opportunities to tender for or participate in large-scale EPC projects in the PRC. During the years, we have successfully obtained various certifications and awards from these customers which indicate the high quality of our tower crane solution services. Please refer to the section headed “Business – Awards and recognition” in this prospectus for more details of our awards and recognition received.

Our customers typically impose stringent requirements and standards for the provision of our tower crane solution services. In order to serve these customers well, we have implemented a customer-oriented strategy and implemented a fully integrated tower crane service platform which caters for our customers’ needs and requirements from the initial stages of a project, including technical design and reporting and filing, to completion of such project, including dismantling of tower cranes and transportation and repair. We also have specific project teams and quality control personnel designated to each of our major customers and their projects in order to regularly communicate with them and promptly respond to their needs and requests. Moreover, our senior management team members will also personally participate in our major customers’ meetings and discussions on regular basis to ensure that we provide high quality work and services to them. We believe that our fast-response, customer-oriented service mechanism and strong technical know-how and capabilities have helped us to build and maintain a reputable and loyal customer base, gain deep insight of the industry and capture market opportunities, which have distinguished us from our competitors and contributed to the growth of our business.

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The terms of our service contracts typically adhere to the terms specified in our customers' tender documents. Set out below are the material terms of our service contracts entered into with our customers:

- *Duration of project* – The duration of projects varies and normally ranged from three to sixty months;
- *Scope of work* – We primarily provide one-stop tower crane solution services to our customers and scope of work and/or services vary from contracts to contracts;
- *Specifications of the tower cranes to be deployed* – We are required to (i) specify the models and specifications of our tower cranes to be deployed in our customers' projects; and (ii) complete filing and obtain relevant certificates for the tower cranes to be deployed before the commencement of the projects;
- *Contract unit price* – The unit price of our tower cranes to be deployed and related tower crane services to be performed under the particular projects, including the unit service price of qualified tower crane operators, are specified in the service contracts and are agreed by our customers;
- *Payment terms* – We typically issue monthly invoices to our customers, which generally include 70% to 80% of the total settlement value of services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates of such monthly invoices vary from project to project and are also typically specified in the contracts. Our customers shall arrange payment in accordance with the payment amount in our monthly invoice within a specified period of time according to the terms specified in the contracts; and
- *Residual money* – Our customers typically withhold about 20% to 30% of each month's total settlement value per month as residual money, and the accumulated sum of these residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from the project sites.

Pricing

We provide our price estimate to our customers during the tender process and may engage in further price negotiations with our customers if they have been awarded the projects. Our price for a particular project is determined primarily based on a number of factors including (i) the complexity and scale of the project; (ii) the model, height, the maximum lifting capacity and quantities of the tower cranes to be deployed; (iii) the specific technical solutions to be provided; (iv) the labour (including labour subcontracting) and transportation costs; (v) the sequence of deployment of tower cranes and project duration; (vi) the geographical location

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and seasonal and weather conditions of the project sites; (vii) the physical obstacles in conducting tower crane services in the project sites, including erection and dismantling; and (viii) the contractual risks. After negotiation, the unit price of our tower crane solution services to be performed under the particular projects are specified in the contracts and are agreed by our customers. During the projects, our customers may request us to provide more tower cranes services. In such event, our customers will typically discuss with us in advance to agree on the unit price of the extra tower crane services to be performed by us before we actual take on such services.

Credit terms with our customers

We typically issue monthly invoices to our customers, which generally include 70% to 80% of the total settlement value of services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates of such monthly invoices vary from project to project and are also typically specified in the contracts. We generally grant a credit period ranging from 30 to 90 days from our invoice date to our customers based on their background and operational scales, financial conditions, business relationship with us and historical payment record. Our customers shall arrange payment in accordance with the payment amount in our monthly invoice within a specified period of time according to the terms specified in the contracts. Our customers typically withhold approximately 20% to 30% of each month's total settlement value as residual money. The accumulated sum of the residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from project sites.

During the Track Record Period, all of our revenue was generated from the PRC. Our customers typically settle our payment by bank transfer for the provision of our one-stop tower crane solution services. We also allow our customers to use commercial and bank acceptance bills, mostly with the maturities of 180 days, to settle their payments. During the Track Record Period, almost all of the commercial acceptance bills we received were issued by our customers which are large Chinese state-owned enterprises and public companies.

Top five customers

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our tower crane solution services provided to our top five customers amounted to approximately RMB406.2 million, RMB490.6 million, RMB620.4 million and RMB181.7 million, respectively, representing approximately 73.9%, 74.7%, 83.3% and 88.7% of our total revenue for the same period, respectively, while our tower crane solution services provided to our largest customer amounted to approximately RMB279.2 million, RMB334.8 million, RMB419.9 million and RMB125.7 million, respectively, representing approximately 50.8%, 51.0%, 56.4% and 61.3% of our revenue for the same period, respectively.

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The tables below set out the basic information of our top five customers during the Track Record Period:

Year ended 31 March 2018

Name of customer ⁽¹⁾	Total revenue derived from the customer (approximately RMB in million)	Approximate % of our total revenue	Background of the customer	Principal business of the customer	Approximate year(s) of business relationship as at 31 March 2018
Customer A ⁽²⁾	279.2	50.8	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	10 years
Customer B	60.8	11.1	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	10 years
Customer C ⁽³⁾	40.0	7.3	Chinese state-owned enterprise	Main contractor specialises in infrastructure and energy projects	10 years
Customer D	15.0	2.7	Chinese state-owned enterprise	Main contractor specialises in energy projects	6 years
Customer E	11.2	2.0	Chinese state-owned enterprise	Main contractor specialises in energy projects	11 years
Sub-total:	406.2	73.9	N/A	N/A	N/A

Notes:

- During the Track Record Period, we had provided one-stop tower crane solution services to various subsidiaries and/or associates of our top five customers as these customers are relatively large Chinese state-owned enterprises. For illustration purpose, the above table shows the aggregate amount and percentage of revenue derived from the subsidiaries and/or associates of our top five customers as a group, respectively;
- We rented tower cranes for a total amount of approximately RMB179,000, RMB940,000, RMB858,000 and RMB206,000 from two subsidiaries of Customer A, representing approximately 0.2%, 0.8%, 0.5% and 0.5% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer A and/or these two subsidiaries of Customer A as customers or suppliers were on normal commercial terms during the Track Record Period; and
- We rented tower cranes for a total amount of approximately RMB1.0 million, RMB2.3 million, RMB6.3 million and RMB2.4 million from a subsidiary of Customer C, representing approximately 1.2%, 2.0%, 3.9% and 5.3% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer C and/or this subsidiary of Customer C as customer or supplier were on normal commercial terms during the Track Record Period.

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Year ended 31 March 2019

Name of customer ⁽¹⁾	Total revenue derived from the customer (approximately RMB in million)	Approximate % of our total revenue	Background of the customer	Principal business of the customer	Approximate year(s) of business relationship as at 31 March 2019
Customer A ⁽²⁾	334.8	51.0	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	11 years
Customer B	87.4	13.3	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	11 years
Customer C ⁽³⁾	39.6	6.0	Chinese state-owned enterprise	Main contractor specialises in infrastructure and energy projects	11 years
Customer D	20.3	3.1	Chinese state-owned enterprise	Main contractor specialises in energy projects	7 years
Customer E	8.5	1.3	Chinese state-owned enterprise	Main contractor specialises in energy projects	12 years
Sub-total:	490.6	74.7	N/A	N/A	N/A

Notes:

- During the Track Record Period, we had provided one-stop tower crane solution services to various subsidiaries and/or associates of our top five customers as these customers are relatively large Chinese state-owned enterprises. For illustration purpose, the above table shows the aggregate amount and percentage of revenue derived from the subsidiaries and/or associates of our top five customers as a group, respectively;
- We rented tower cranes for a total amount of approximately RMB179,000, RMB940,000, RMB858,000 and RMB206,000 from two subsidiaries of Customer A, representing approximately 0.2%, 0.8%, 0.5% and 0.5% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer A and/or these two subsidiaries of Customer A as customers or suppliers were on normal commercial terms during the Track Record Period; and
- We rented tower cranes for a total amount of approximately RMB1.0 million, RMB2.3 million, RMB6.3 million and RMB2.4 million from a subsidiary of Customer C, representing approximately 1.2%, 2.0%, 3.9% and 5.3% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer C and/or this subsidiary of Customer C as customer or supplier were on normal commercial terms during the Track Record Period.

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Year ended 31 March 2020

Name of customer ⁽¹⁾	Total revenue derived from the customer (approximately RMB in million)	Approximate % of our total revenue	Background of the customer	Principal business of the customer	Approximate year(s) of business relationship as at 31 March 2020
Customer A ⁽²⁾	419.9	56.4	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	12 years
Customer B	118.6	15.9	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	12 years
Customer C ⁽³⁾	44.0	5.9	Chinese state-owned enterprise	Main contractor specialises in infrastructure and energy projects	12 years
Customer F	24.6	3.3	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	12 years
Customer G	13.3	1.8	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	6 years
Subtotal:	620.4	83.3	N/A	N/A	N/A

Notes:

- During the Track Record Period, we had provided one-stop tower crane solution services to various subsidiaries and/or associates of our top five customers as these customers are relatively large Chinese state-owned enterprises. For illustration purpose, the above table shows the aggregate amount and percentage of revenue derived from the subsidiaries and/or associates of our top five customers as a group, respectively;
- We rented tower cranes for a total amount of approximately RMB179,000, RMB940,000, RMB858,000 and RMB206,000 from two subsidiaries of Customer A, representing approximately 0.2%, 0.8%, 0.5% and 0.5% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer A and/or these two subsidiaries of Customer A as customers or suppliers were on normal commercial terms during the Track Record Period; and
- We rented tower cranes for a total amount of approximately RMB1.0 million, RMB2.3 million, RMB6.3 million and RMB2.4 million from a subsidiary of Customer C, representing approximately 1.2%, 2.0%, 3.9% and 5.3% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer C and/or this subsidiary of Customer C as customer or supplier were on normal commercial terms during the Track Record Period.

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Three months ended 30 June 2020

Name of customer ⁽¹⁾	Total revenue derived from the customer (approximately RMB in million)	Approximate % of our total revenue	Background of the customer	Principal business of the customer	Approximate year(s)/month(s) of business relationship as at 30 June 2020
Customer A ⁽²⁾	125.7	61.3	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	12 years and 3 months
Customer B	32.0	15.6	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	12 years and 3 months
Customer C ⁽³⁾	11.9	5.8	Chinese state-owned enterprise	Main contractor specialises in infrastructure and energy projects	12 years and 3 months
Customer F	7.9	3.9	Chinese state-owned enterprise	Main contractor specialises in infrastructure projects	12 years and 3 months
Customer H	4.2	2.1	Chinese state-owned enterprise	Main contractor specialises in civil engineering construction projects	12 years and 6 months
Subtotal:	181.7	88.7	N/A	N/A	N/A

Notes:

- During the Track Record Period, we had provided one-stop tower crane solution services to various subsidiaries and/or associates of our top five customers as these customers are relatively large Chinese state-owned enterprises. For illustration purpose, the above table shows the aggregate amount and percentage of revenue derived from the subsidiaries and/or associates of our top five customers as a group, respectively;
- We rented tower cranes for a total amount of approximately RMB179,000, RMB940,000, RMB858,000 and RMB206,000 from two subsidiaries of Customer A, representing approximately 0.2%, 0.8%, 0.5% and 0.5% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer A and/or these two subsidiaries of Customer A as customers or suppliers were on normal commercial terms during the Track Record Period; and
- We rented tower cranes for a total amount of approximately RMB1.0 million, RMB2.3 million, RMB6.3 million and RMB2.4 million from a subsidiary of Customer C, representing approximately 1.2%, 2.0%, 3.9% and 5.3% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Customer C and/or this subsidiary of Customer C as customer or supplier were on normal commercial terms during the Track Record Period.

Background information on our top five customers during the Track Record Period

Customer A

Customer A is a state-owned enterprise established in March 1983 in the PRC with a registered capital of RMB1 billion. Customer A primarily engages in the state-owned asset operations within the scope authorised by the State Council of the PRC, including but not limited to undertaking survey, design, construction, installation, consulting of civil and architectural engineering projects in the PRC and abroad, as well as engaging in real estate operation, real estate development engineering survey and design, construction project management, technical consulting and technical services and property management. According to Frost & Sullivan, Customer A is one of the top 10 construction companies in the PRC in terms of the construction revenue in 2019 and has been a top-tier construction company during the Track Record Period. It has several subsidiaries which are listed on the Shenzhen Stock Exchange, Shanghai Stock Exchange and/or the Stock Exchange.

Customer B

Customer B is a state-owned enterprise established in January 1994 in the PRC with a registered capital of RMB3 billion. Customer B primarily engages in the construction of real estate projects and municipal public construction projects. Customer B has been involving in foreign engineering projects as a main contractor, and engages in various types of goods and technology import and export business, sales of building materials, lease of machinery and equipment, lease of real estate and industrial investment. According to Frost & Sullivan, Customer B is one of the top 10 construction companies in the PRC in terms of the construction revenue in 2019 and has been a top-tier construction company during the Track Record Period. Customer B was a main contractor for several landmark construction projects in the PRC and has nationwide business in the PRC. It principally carries out its business activities through one of its subsidiaries which is listed on the Shanghai Stock Exchange since June 1998.

Customer C

Customer C is a state-owned listed enterprise established in 2010 in the PRC with a registered capital of RMB2,625 million. Customer C primarily engages in businesses, including but not limited to, engineering general contracting, engineering construction general contracting, engineering survey and design, engineering technical consulting, engineering management computer software development, application, transfer, research and production. Customer C also engages in construction sales, equipment leasing, property management, leasing, import and export business, contracting overseas industrial and civil construction projects, domestic international bidding projects and investment management. According to Frost & Sullivan, Customer C is one of the top 30 construction companies in the PRC in terms of the construction revenue in 2019 and has been a top-tier construction company during the Track Record Period. It has several subsidiaries which are listed on Shenzhen Stock Exchange, Shanghai Stock Exchange and/or the Stock Exchange.

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Customer D

Customer D is a state-owned enterprise established in September 2011 in the PRC with a registered capital of RMB26 billion. Customer D primarily engages in businesses, including but not limited to, general contracting and professional contracting, engineering project management and supervision, renewable energy and power transmission and transformation. Customer D also engages in project planning, review, consulting, evaluation and construction, engineering survey and design, production and sales of building materials, real estate development and management. According to Frost & Sullivan, Customer D is one of the top 10 construction companies in the PRC in terms of the construction revenue in 2019 and is a large leading and internationally advanced energy engineering conglomerate with a well-known brand in the power industry in the PRC and globally. It has a subsidiary which is listed on the Stock Exchange.

Customer E

Customer E is a state-owned enterprise established in September 2011 in the PRC with a registered capital of approximately RMB31.9 million. Customer E primarily engages in businesses, including but not limited to, renewable energy and power generation and transmission and transformation projects, water conservancy and waterworks general contracting. Customer E also engages in planning, survey and design, construction and installation, technology research and development, project management, consulting, supervision, equipment maintenance and related equipment manufacturing, repair, and leasing. According to Frost & Sullivan, Customer E is one of the top 10 construction companies in the PRC in terms of the construction revenue in 2019 and has been a top-tier construction company during the Track Record Period.

Customer F

Customer F is a state-owned enterprise established in December 2005 in the PRC with a registered capital of approximately RMB7.3 million. Customer F primarily engages in businesses, including but not limited to, general contracting of waterway, highway, bridge construction projects (including engineering, technical and economic consulting, feasibility studies, surveys, design, construction, supervision, and procurement and supply of related complete sets of equipment and materials, equipment installation), and undertaking industrial and civil construction. Customer F also engages in railway, tunnel, power, mining, water conservancy, and municipal construction engineering. According to Frost & Sullivan, Customer F is one of the top 10 construction companies in the PRC in terms of the construction revenue in 2019 and has been a top-tier construction company during the Track Record Period.

Customer G

Customer G is a state-owned enterprise established in December 2005 in the PRC with a registered capital of approximately RMB7.3 million. We mainly engage with its subsidiary which is established in April 2008 in the PRC with a registered capital of approximately RMB600 million. Such subsidiary primarily engages in general contracting of building

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construction, building decoration and decoration, building engineering installation, building engineering design and consulting, engineering construction consulting, engineering technology consulting and sales of building materials and construction equipment. Company G engages in construction management of various types of projects, including mid-to-high-end residential, high-end office buildings, retail properties, hotel apartments and hotels.

Customer H

Customer H is a state-owned enterprise established in March 1990 in the PRC with a registered capital of RMB 12.1 million. Customer H primarily engages in businesses, including but not limited to general contracting of civil engineering construction projects, installation of wires, pipes and equipment, as well as subcontracting of surveying, design, construction, construction supervision, technical advisory, technology development, technology transfer and technical services. Customer H also engages in the development, manufacturing, repair and sales of civil engineering specific machinery, equipment, accessories, steel products and construction materials. According to Frost & Sullivan, Customer H was one of the top 30 construction companies in the PRC in terms of revenue in 2019.

All of our top five customers during the Track Record Period were independent third parties. To the best knowledge of our Directors, save as disclosed above, (i) there was/is no any other past and present relationship (business, employment, family, financing or otherwise) between each of our top five customers and our Group (including our Shareholders, their subsidiaries, directors, senior management or any of their respective associates) or any of their suppliers and labor subcontractor providers; and (ii) none of our Directors, their close associates or our Shareholders (whom to the knowledge of our Directors own more than 5% of the issued Shares) had any interest in any of our top five customers during the Track Record Period.

OUR PROCUREMENT AND RENTAL

We purchase tower cranes and related parts, components and accessories from time to time according to our project needs, inventory level and expansion plans. Due to our project needs and capital constraints, we also rent tower cranes from third-party suppliers and deploy them to our various project sites. During the Track Record Period, Yongmao Group was our largest supplier for tower cranes and parts and components.

Procurement and rental of tower cranes and procurement of parts, components and accessories

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we had purchased 31, 33, 63 and 24 tower cranes, respectively, with the purchase costs amounted to approximately RMB33.3 million, RMB46.3 million, RMB88.6 million and RMB28.3 million for the same period, respectively. Our purchases of tower cranes during the Track Record Period included purchases of new and second-hand tower cranes, some of which

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were ready for deployment to project sites for use and some of which required certain degrees of upgrades, modifications and maintenance before these tower cranes could meet our internal operational standards for deployment to projects sites for use upon obtaining the internal tower crane inspection reports issued by our equipment business unit.

Apart from our self-owned tower cranes, we have also been strategically renting tower cranes from third-party suppliers to facilitate our project needs in a systematic manner. We believe that the mix fleet of self-owned and leased tower cranes can provide us with more flexibility and enables us to take on more projects to enhance the utilisation of our existing self-owned tower cranes, which in turn, increase our revenue. Our overall utilisation rate, which referred to our tower cranes that were already on-site and generating revenue against all the tower cranes that met our internal operational standards for deployment to projects sites for use, had reached approximately 79.5%, 80.7%, 76.8% and 78.5% in average for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we had rented on average 92, 133, 112 and 109 tower cranes, respectively. Our rental costs for these tower cranes, which included (i) rental costs less than one year; (ii) depreciation of right-of-use assets; and (iii) interest expenses on lease liabilities, amounted to approximately RMB30.4 million, RMB50.0 million, RMB37.6 million and RMB6.8 million for the same period, respectively. The tower cranes we rented are primarily for back-to-back customer contracts and project specific. We may sometimes rent certain models of tower cranes for a longer period to obtain better terms, such as rental prices. We believe that renting tower cranes flows with our continuous objective in customisation of our owned tower crane fleet mix. As we are able to better understand and get familiar with the control and functionalities of these rented tower cranes during the period of our rental, we would be able to purchase tower cranes previously or currently rented by us if the models and functionalities of such tower cranes are appropriate for our project needs. During the Track Record Period, 40 of our purchased tower cranes were previously rented by us. The tower cranes that were purchased or rented by us during the Track Record Period can be categorised by their maximum lifting capacity ranging from 81TM to 200TM, 201TM to 300TM, 301TM to 900TM, and above 901TM.

The principal parts, components and accessories used in our tower crane service projects are masts, embedded parts, wire ropes, power cables, paint, lubricant oil and anchors.

Our suppliers

We have established stable and long-term business relationship with our suppliers in order to purchase and rent tower cranes at competitive prices. As at 30 June 2020, we had on average more than six years of business relationship with our top five suppliers of tower cranes and parts, components and accessories during the Track Record Period. During the Track Record Period, Yongmao Group, which is our connected person, was our largest supplier. For further details of our business arrangement with Yongmao Group, please refer to the section headed “Business – Our procurement and rental – Our business arrangement with Yongmao Group” in this prospectus.

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We generally enter into purchase agreements with our tower crane suppliers for each of our tower crane purchases. Set out below are the material terms of our tower crane purchase agreements:

- *Specification* – The purchase agreements typically set out the specifications, models, quantities and total purchase amount of tower cranes we required;
- *Unit purchase price* – The unit purchase price of tower cranes is specified in the purchase agreements;
- *Delivery* – Suppliers are required to deliver our required tower cranes to locations designated by us; and
- *Payment* – We will make payment to our suppliers according to the terms specified in the purchase agreements.

We generally enter into rental agreements with our tower crane suppliers for each rental of our tower cranes. Set out below are the material terms of our tower crane rental agreements:

- *Term of rental* – The duration of the rental varies from agreements to agreements, which normally ranged from four to 24 months, corresponding to the projects we have engaged with our customers;
- *Specification* – The rental agreements typically set out the specifications, models and quantities of the tower cranes we lease for;
- *Unit rental price* – The unit rental price of tower cranes is specified in the rental agreements;
- *Delivery* – Suppliers are generally required to deliver our required tower cranes to locations designated by us on specific dates stipulated in the rental agreement; and
- *Payment* – Upon receiving our required model of tower cranes and conducting relevant inspection, we will make payment to our suppliers according to the terms specified in the rental agreements.

We generally enter into purchase orders with our parts, components and accessories suppliers for each of our purchases. The below sets out the material terms of our parts, components and consumable purchase orders:

- *Specification* – The purchase orders typically set out the descriptions, types, quantities, unit price and total purchase amount of parts, components and accessories we required;
- *Delivery* – Suppliers are required to deliver our required parts, components and accessories to locations designated by us; and
- *Payment terms* – Upon receiving our required parts, components and accessories and conducting relevant inspection, we will make payment to our suppliers according to the terms specified in the purchase orders.

Our business arrangement with Yongmao Group

During the Track Record Period, we had purchased tower cranes and related parts and components and also rented tower cranes from Yongmao Group, which was our largest supplier during the Track Record Period and our connected person. We have maintained a strong and stable business relationship with Yongmao Group since 2007. As at the Latest Practicable Date, Yongmao Group held approximately 11.6% equity interest of our Controlling Shareholder, and Mr. Sun, the chairman and executive director of Yongmao Group, is also a non-executive Director of our Company, who is not involved in the day-to-day management and operation of our Group. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our total purchases and rental from Yongmao Group amounted to approximately RMB44.8 million, RMB44.9 million, RMB72.0 million and RMB8.8 million, respectively, representing approximately 53.7%, 39.2%, 44.2% and 19.4% of our total procurement (including purchase and/or rental) of tower cranes, related parts, components and accessories for the same period, respectively.

According to Frost & Sullivan, Yongmao Group primarily engages in the design, development and manufacture of tower cranes and related parts and components, and was the third largest tower crane manufacturer in the PRC in terms of revenue in 2018. The brand “Yongmao” under Yongmao Group has also been recognised as a “Chinese Well-Known Brand” (中國馳名商標). Considering the quality of the tower cranes manufactured by Yongmao Group, which are well recognised in the tower crane service industry in the PRC, our Directors are of the view that it is commercial sensible for us to purchase and rent tower cranes from Yongmao Group as safety is one of our core values.

During the Track Record Period, all of our business transactions with Yongmao Group were entered into on normal commercial terms in ordinary and usual course of business of our Group and are fair and reasonable and in the best interests of our Group and our Shareholders as a whole. According to Frost & Sullivan, purchase or rental prices offered by Yongmao Group to our Group were comparable to the prevailing market prices, and there are alternative suppliers of similar tower cranes available in the PRC market which are able to offer purchase or rental prices comparable to those offered by Yongmao Group. After Listing, we will continue our business arrangement with Yongmao Group, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules. Please refer to the section headed “Connected Transactions – Non-exempt continuing connected transactions – Yongmao Master Agreement” in this prospectus.

Top five suppliers

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our procurement, which included our purchase and/or rental of tower cranes, related parts, components and accessories, from our top five suppliers amounted to approximately RMB57.0 million, RMB79.5 million, RMB105.9 million and RMB33.9 million, respectively, representing approximately 68.1%, 69.4%, 65.1% and 74.7% of our total procurement for the same period, respectively.

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The tables below set out the basic information of our top five suppliers during the Track Record Period:

Year ended 31 March 2018

Name of supplier	Major products supplied	Procurement ⁽¹⁾ amount from the supplier (approximately RMB in million)	Approximate % of our total procurement ⁽¹⁾	Background of the supplier	Principal business of the supplier	Approximate year(s) of business relationship as at 31 March 2018
Yongmao Group	Tower cranes (purchase and rental) and related parts and components	44.8	53.7	Public company	Special equipment manufacturing	11 years
Supplier C	Tower crane related parts, components and accessories and related repair	5.3	6.3	Private company	Repair and maintenance and leasing of machinery and equipment	7 years
Supplier D ⁽²⁾	Tower crane related parts, components and accessories	3.9	4.6	Private company	Metal products and accessories	1 year
Supplier B ⁽²⁾	Tower crane related parts, components and accessories	1.7	2.0	Private company	Metal products and accessories	3 years
Supplier A ⁽³⁾	Tower cranes (rental)	1.3	1.5	Private company	Construction and engineering equipment, repair and maintenance of equipment	3 years
Sub-total:	N/A	57.0	68.1	N/A	N/A	N/A

Notes:

- Procurement included our purchase and/or rental of tower cranes and related parts, components and accessories;
- The controlling shareholder and legal representative of Supplier B is the sole shareholder and legal representative of Supplier D. To the best knowledge of our Directors, Supplier B and Supplier D are under same control and Supplier D was set up to take over the business of Supplier B. Our Group has ceased business relationship with Supplier B since 2018; and
- Ms. Liu, the sole shareholder, legal representative, director and general manager of Supplier A is also the legal representative and director of Supplier E. Nevertheless, to the best knowledge of our Directors, Supplier A and Supplier E do not involve in each other's daily operation and are managed by different management teams.

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Year ended 31 March 2019

Name of supplier	Major products supplied	Procurement ⁽¹⁾ amount from the supplier (approximately RMB in million)	Approximate % of our total procurement ⁽¹⁾	Background of the supplier	Principal business of the supplier	Approximate year(s) of business relationship as at 31 March 2019
Yongmao Group	Tower cranes (purchase and rental) and related parts and components	44.9	39.2	Public company	Special equipment manufacturing	12 years
Supplier E ⁽²⁾	Tower cranes (purchase and rental)	23.6	20.6	Private company	Construction and engineering equipment, repair and maintenance of equipment	2 years
Supplier D ⁽³⁾	Tower crane related parts, components and accessories	3.9	3.4	Private company	Metal products and accessories	2 years
Supplier F	Tower cranes (purchase and rental)	3.7	3.3	Private company	Hoisting equipment, construction equipment, components and steel structures	10 years
Supplier C	Tower crane related parts, components and accessories and related repair	3.4	2.9	Private company	Repair and maintenance and leasing of machinery and equipment	8 years
Sub-total:	N/A	79.5	69.4	N/A	N/A	N/A

Notes:

- Procurement included our purchase and/or rental of tower cranes and related parts, components and accessories;
- Ms. Liu, the legal representative and director of Supplier E is also the sole shareholder, legal representative, director and general manager of Supplier A. Nevertheless, to the best knowledge of our Directors, Supplier A and Supplier E do not involve in each other's daily operation and are managed by different management teams. On the other hand, Mr. Wang, the sole shareholder of Supplier E is also the substantial shareholder, legal representative and director of Labour subcontractor C. Nevertheless, to the best knowledge of our Directors, Supplier E and Labour subcontractor C do not involve in each other's daily operation and are managed by different management teams; and
- The controlling shareholder and legal representative of Supplier B is the sole shareholder and legal representative of Supplier D. To the best knowledge of our Directors, Supplier D and Supplier B are under same control and Supplier D was set up to take over the business of Supplier B. Our Group has ceased business relationship with Supplier B since 2018.

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Year ended 31 March 2020

Name of supplier	Major products supplied	Procurement ⁽¹⁾ amount from the supplier (approximately RMB in million)	Approximate % of our total procurement ⁽¹⁾	Background of the supplier	Principal business of the supplier	Approximate year(s) of business relationship as at 31 March 2020
Yongmao Group	Tower cranes (purchase and rental) and related parts and components	72.0	44.2	Public company	Special equipment manufacturing	13 years
Supplier E ⁽²⁾	Tower cranes and (purchase and rental)	10.4	6.4	Private company	Construction and engineering equipment, repair and maintenance of equipment	3 years
Supplier G	Tower cranes (purchase)	9.2	5.7	Private company	Manufacture and rental of construction, machinery and equipment, installation and maintenance	3 years
Supplier D ⁽³⁾	Tower crane related parts, components and accessories	7.2	4.4	Private company	Metal products and accessories	3 years
Supplier F	Tower cranes (purchase and rental)	7.1	4.4	Private company	Hoisting equipment, construction equipment, components and steel structures	11 years
Sub-total:	N/A	105.9	65.1	N/A	N/A	N/A

Notes:

- Procurement included our purchase and/or rental of tower cranes and related parts, components and accessories;
- Ms. Liu, the legal representative and director of Supplier E is also the sole shareholder, legal representative, director and general manager of Supplier A. Nevertheless, to the best knowledge of our Directors, Supplier A and Supplier E do not involve in each other's daily operation and are managed by different management teams. On the other hand, Mr. Wang, the sole shareholder of Supplier E is also the substantial shareholder, legal representative and director of Labour subcontractor C. Nevertheless, to the best knowledge of our Directors, Supplier E and Labour subcontractor C do not involve in each other's daily operation and are managed by different management teams; and
- The controlling shareholder and legal representative of Supplier B is the sole shareholder and legal representative of Supplier D. To the best knowledge of our Directors, Supplier D and Supplier B are under same control and Supplier D was set up to take over the business of Supplier B. Our Group has ceased business relationship with Supplier B since 2018.

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Three months ended 30 June 2020

Name of supplier	Major products supplied	Procurement ⁽¹⁾ amount from the supplier (approximately RMB in million)	Approximate % of our total procurement ⁽¹⁾	Background of the supplier	Principal business of the supplier	Approximate year(s) of business relationship as at 30 June 2020
Supplier G	Tower cranes (purchase)	17.6	38.8	Private company	Manufacture and rental of construction, machinery and equipment, installation and maintenance	3 years and 3 months
Yongmao Group	Tower cranes (purchase and rental) and related parts and components	8.8	19.4	Public company	Special equipment manufacturing	13 years and 3 months
Supplier H	Tower cranes (purchase and rental)	3.2	7.1	Private company	Construction machinery manufacturing and crane equipment installation	8 years and 11 months
Supplier I ⁽²⁾	Tower cranes (rental)	2.4	5.3	Public Company	Construction and general contracting for construction projects	2 years and 11 months
Supplier C	Tower crane related parts, components and accessories and related repair	1.9	4.1	Private company	Repair and maintenance and leasing of machinery and equipment	9 years and 3 months
Sub-total:	N/A	33.9	74.7	N/A	N/A	N/A

Notes:

- Procurement included our purchase and/or rental of tower cranes and related parts, components and accessories.
- We had provided one-stop tower crane solution services to the parent company of Supplier I (i.e. Customer C, which was one of our top five customers during the Track Record Period) for a total amount of approximately RMB40.0 million, RMB39.6 million, RMB44.0 million and RMB11.9 million, representing approximately 7.3%, 6.0%, 5.9% and 5.8% of the Company's total revenue for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, and the transactions entered into between us and Supplier I and/or Customer C as supplier or customer were on normal commercial terms during the Track Record Period.

Management of our suppliers

Our suppliers are required to supply tower cranes and related parts, components and accessories in accordance with our required technical specifications, and provide quality inspection reports to us upon their delivery of products. Our procurement and quality control teams also carry on-site inspection on the production process and quality control systems of our suppliers from time to time. We typically assess our suppliers based on the quality of and punctuality in delivering of tower cranes and related parts, components and accessories supplied to us. We also evaluate our suppliers based on their ability to provide rectification measures to us within a certain period of time once they receive our complaints on quality. We typically maintain three qualified suppliers for some of our principal parts, components and accessories based on price and quality. We believe that this minimises the risk of insufficient parts, components and accessories when our selected supplier fails to meet our demand and/or standards.

Credit terms with our suppliers

Our suppliers generally grant us a credit period ranging from 30 to 180 days from date of billing invoices. We generally settle the payments with our suppliers by bank transfer. We may also endorse part of bank acceptance bills we received from our customers or issue our own bank acceptance bills to our suppliers for the settlement of our payables from time to time.

Save for Yongmao Group, all of our top five suppliers during the Track Record Period are independent third parties. To the best knowledge of our Directors, except for (i) Mr. Sun, who is our non-executive Director and together with his family members, indirectly holds approximately 57.4% of Yongmao Group through Sun & Tian Investment Pte. Ltd.; (ii) Mr. Ng, who is our non-executive Director and chairman of our Board, and together with other members of Chwee Cheng Controlling Shareholder Group, indirectly holds approximately 24% of Yongmao Group through Tat Hong Holdings; and (iii) Mr. Sean Yau, who is our executive Director, holds approximately 0.13% of Yongmao Group, none of our Directors or their respective close associates or any of our existing Shareholders who owned 5% or more of the issued share capital of our Company, had any interest in any of our top five suppliers during the Track Record Period. In addition, to the best knowledge of our Directors, save as disclosed, (i) there was/is no any other past and present relationship (business, employment, family, financing or otherwise) between each of our top five suppliers and our Group (including our Shareholders, their subsidiaries, directors, senior management or any of their respective associates) or any of their customers and labor subcontractor providers; and (ii) except for Yongmao Group, which engaged us for a one-off dismantling tower crane service work for the year ended 31 March 2020 for its customer amounting to RMB183,000, and Supplier I which was disclosed above, none of our top five suppliers during the Track Record Period was a customer of our Group. The sales and purchase transactions between our Group and Yongmao Group and/or Supplier I were not inter-related. Our Directors confirmed that the sales and purchase transactions entered into by our Group with Yongmao Group and Supplier I were on normal commercial terms, in ordinary and usual course of business of our Group and are fair and reasonable and in the best interests of our Group and our Shareholders as a whole. For

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more details of our business arrangement with Yongmao Group, please refer to the sections headed “Connect Transactions – Non-exempt continuing connected transactions” and “– Connected transaction” in this prospectus.

We had not experienced any material disruption, disputes or delay in relation to the supply of our tower cranes and related parts, components and accessories with our suppliers during the Track Record Period and up to the Latest Practicable Date.

Management of tower cranes and parts, components and accessories

During the Track Record Period, the majority of our tower cranes were stationed and working at our customers’ project sites. The remaining tower cranes and the majority of the related parts, components and accessories are stored in our tower crane yards or at our Yangzhou Refurbishment Centre. Subject to our management assessment on project needs and expansion plan, we typically purchase tower cranes in a centralised manner at the Group’s level, while each of our subsidiaries manages their own purchases of related parts, components and accessories. Our senior management will only authorise to purchase new tower cranes when the following criteria have been met, including (i) the newly purchased tower cranes must be for new projects provided and it is not feasible to deploy our existing tower cranes for such new projects; (ii) the newly purchased tower cranes must be deployed immediately from our tower crane manufacturers to the new project sites; (iii) the profit margins for the new projects must reach a certain percentage; and (iv) the duration of the new projects must be at least six months. If we cannot meet the aforesaid criteria, we will then rent the tower cranes to fulfil our project needs.

We manage our procurement through our in-house developed LEAP system, which enables us to track the procurement cycle and deployment and utilisation rate of our tower cranes and related parts, components and accessories. Further, we generally maintain an inventory level of accessories, such as wire ropes, power cables, paint, lubricant oil and anchors, to ensure the sufficiency of supply for the repair and maintenance of our tower cranes.

DELIVERY AND LOGISTICS

During the Track Record Period, we had engaged external logistic companies to deliver our tower cranes and related parts, components and accessories to designated project sites. Pursuant to the agreements entered into between us and the logistics service providers, the logistic service providers are responsible for any direct losses caused by them during the delivery. The majority of our logistic cost incurred during the projects were capitalised during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruption or damage in relation to the delivery of our tower cranes and related parts, components and accessories.

OUR TOWER CRANES YARDS AND YANGZHOU REFURBISHMENT CENTRE**Our tower crane yards**

We currently operate eight tower crane yards on our leased properties in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC. The lease terms of our tower crane yards generally ranged from six months to 10 years. The total gross site area of our leased tower crane yards is approximately 58,252 sq.m., whereas the gross floor area of each of our tower crane yard ranges from approximately 3,335 sq.m. to approximately 11,639 sq.m. In addition to our eight tower crane yards, we had also leased temporary warehouses ranged from a few days to few months to temporarily store our tower cranes and despatched relevant personnel to conduct requisite repair and maintenance of our tower cranes between projects to projects.

Our Yangzhou Refurbishment Centre

We consider the establishment of our Yangzhou Refurbishment Centre in 2019 as one of the important milestones in our corporate history. According to Frost & Sullivan, although tower crane service costs only accounted for approximately 2.0% on average of the total cost of a construction project, tower crane service companies play a vital role in construction projects in terms of safely and timely lifting the required construction materials from the ground to the designated height and locations. Since almost half of our tower cranes were engaged or ready to be engaged for our projects located in the eastern China region during the past two years, our Directors are of the view that a centralised tower crane centre in the eastern China region is able to meet our internal demand for the extensive repair, maintenance and refurbishment for our self-owned tower cranes. As such, we paid approximately RMB23.5 million to acquire a piece of land with auxiliary properties in June 2019 with site area of approximately 94,310 sq.m. in Yangzhou, Jiangsu province, the PRC to establish our Yangzhou Refurbishment Centre. As at the Latest Practicable Date, we had obtained all the relevant certificates for the land and properties of our Yangzhou Refurbishment Centre.

We plan to provide tower crane repair, maintenance and refurbishment services to our Group as well as to third-party industrial peers, with an intention to offer another avenue of our revenue growth. We also plan to operate our Yangzhou Refurbishment Centre as a centralised tower crane yard in the eastern China region for the storage of our tower cranes and related parts, components and accessories. Furthermore, we intend to apply our research and development effort and launch our production and sales lines in our Yangzhou Refurbishment Centre to manufacture and sell our self-developed components and accessories. In doing so, we plan to purchase a number of equipment, including but not limited to, one hydraulic disassembling tuning machine, four radial drilling machine, two robotic welding equipment, one overhead travelling crane, one set of spray printing facility and one catalytic combustion paint mist treatment equipment, to equip the mechanical and steel structure divisions of our Yangzhou Refurbishment Centre.

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Furthermore, the rapid development in the market of construction industry in the PRC has asserted pressure to general contractors to outsource tower crane services to specialist like us in order to improve overall project performance. To address the concerns of our customers and stakeholders of the tower crane service industry, we plan to offer technical training courses at our Yangzhou Refurbishment Centre and collaborate with local technical schools in Yangzhou for recruiting graduates with suitable background to attend our technical courses on tower crane operations and repair and maintenance of tower cranes. We will recruit employees for project frontlines from batches of pupils upon their course completion. This ensures the standards and capabilities of our future employees and in effect shorten the onsite training time than normally required.

In addition, our Yangzhou Refurbishment Centre will be open for our customers' visits to showcase and demonstrate to our customers our professionalism in running our production, repair and maintenance lines. Our Directors are of the view that the establishment of our Yangzhou Refurbishment Centre aids and aligns with our strategies, and will lower our costs of repair, maintenance, refurbishment, storage and transportation in the long run and improve our responsiveness to market demand, thereby enhancing our competitiveness in the PRC tower crane service market.

Since June 2019 till the Latest Practicable Date, we had incurred approximately RMB9.9 million on establishing our Yangzhou Refurbishment Centre. Our expenditures were primarily incurred on purchasing equipment, such as sand blasting and painting equipment and electric mobile device, recruiting various technical personnel which have relevant experience in repair, maintenance and refurbishment services, and construction of foundation work, including building high voltage power supply system and constructing and backfilling foundation. We have also completed our environmental valuation in April 2020 in order to build our liquid painting and polishing service work division. Upon completing such environmental valuation, we have further proceeded to apply the manufacturing permit for the manufacture of our self-developed components and accessories. We expect to obtain such permit by April 2021. Further, we have commenced to conduct repair, maintenance and refurbishment service on trial basis for various of our self-owned tower cranes. We plan to further incur capital expenditure of approximately RMB28.5 million on developing our Yangzhou Refurbishment Centre, of which approximately RMB6.9 million and RMB21.6 million, representing approximately 24.2% and 75.8% of our total capital expenditure, would be funded by our own working capital and the net proceeds from the Global Offering, respectively. We expect the repair, maintenance and refurbishment service divisions of our Yangzhou Refurbishment Centre to be fully operational by the second quarter of 2021.

REPAIR AND MAINTENANCE

We emphasise our core value of “Virtue (厚德)” and strive to be trustworthy and committed to provide reliable services to our customers. As such, we adopt a more stringent internal standard for our regular maintenance of our tower cranes as compared to the standards stipulated in the National Industrial Standards to prevent any material failure or disruption of our tower cranes. Our internal standards are typically formulated after taking into account the technical, engineering and other specific requirements and procedures set out in the operation manuals of the tower cranes and our actual project progress.

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During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material unexpected disruption of operation as a result of any material failure of our tower cranes. Our repair and maintenance expenses amounted to approximately RMB5.1 million, RMB4.3 million, RMB13.6 million and RMB4.5 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively.

QUALITY CONTROL

We bear in mind our core value of “Excellence (卓越)” and emphasise our ability to deliver quality tower crane services to our customers. Our management typically meets on a regular basis to discuss the status of our projects, our technical obstacles encountered, and management and allocation of manpower to ensure that we are able to resolve any issues and complete our work or services on schedule. During the execution of our projects, we also communicate with our customers on a daily or weekly basis, including face-to-face meetings at project sites, to report our progress, understand projects’ requirements, and respond to our customers’ queries on our work and/or services to make sure that all our work and/or services are carried out in accordance with the requirements of our customers.

To ensure our quality control, we have implemented the following procedures:

Quality control over tower cranes

We typically purchase and rent tower cranes from reputable suppliers which we consider are able to provide tower cranes that meet our requirements for quality and technical customisation. Also, according to relevant laws and regulations, it is compulsory for tower crane manufacturers to arrange mill test and obtain mill certificate for their tower cranes before selling the same into the market, which means that the tower cranes they manufactured have passed quality checks and are in compliance with relevant laws and regulations. We will typically examine the mill certificate to ensure that the tower cranes we purchased are fit for use. We have maintained good and established business relationships with our suppliers.

Quality control over tower crane related parts, components and accessories

We purchase tower crane related parts, components and accessories from our qualified suppliers which we consider are reliable in terms of quality and timing of delivery. We communicate with our suppliers about the requirements and customisations of the parts, components and accessories we required when we place purchase orders. We also inspect our required products after our suppliers deliver the same to our designated project sites to ensure that the quality of such tower crane related parts, components and accessories can meet our project requirements. Parts, components and accessories that do not meet our standard or specifications will be returned and/or exchanged. In addition, to ensure a stable supply, we typically maintain three qualified suppliers for some of our principal parts, components and accessories.

Quality control over labour supplied by our labour subcontractors

We obtain and review requisite licenses and qualifications from the selected labour subcontractors before engagement with these labour subcontractors. In each of our projects, we will appoint a project manager to oversee the project. Our management will carry out inspections on the service work performed by our labour subcontractors, on a regular basis to ensure that the service works completed will satisfy our customers' requirements. In addition, we also assign project managers to station at project sites to oversee and monitor the progress, safety, quality and workmanship of our work. Our project managers are also responsible for coordination between our project team, labour, subcontractors and customers on the project sites, and reporting to our senior management.

HEALTH AND SAFETY CONTROL

Reinforcing our core values "Safety (安全)", we are dedicated to ensure safety for our project execution, safety of the surrounding environment of the project sites that we are working at, and the safety of our onsite project staff. We have established and implemented measures and management systems focusing on four major aspects, which includes the safety management of our personnel, the safety management of our tower cranes and related part, components and accessories, specific investigations and evaluations for any accidents and tower crane failures, and regular communication amongst our internal safety committee.

We ensure that our new recruits comply with relevant laws and regulations in obtaining all relevant licences and qualifications. We also put in place mandatory biannual inspections where we conduct spot checks on the competence of our onsite project staff, such as our technicians and tower crane operators. We also prepare our in-house training materials on safety issues and regularly organise training courses and "emergency drills" to familiarise our workers with the appropriate emergency handling procedures and shorten the overall reaction time to the events of emergency. Furthermore, we conduct mandatory technical handover procedure concerning safety of project construction on a daily basis, where we debrief our onsite workers before they carry out service works on our customers' project sites. We also provide our employees with work safety education and training, covering the relevant laws and regulations regarding labour safety, risks in relation to our business operation as well as measures to reduce such risks so as to enhance their awareness of safety issues.

Our safety management of our tower cranes is in place as soon as we obtain official approval for our installation and dismantling of tower cranes in project sites. We have implemented series of in-house safety guidelines and standard procedures which are more stringent than National Industrial Standards. We set yearly safety targets and monitor our teams to minimise our accident rates and error rates. Our project management team will conduct weekly inspections to ensure functionality of tower cranes that are ready to be deployed in upcoming projects. Our operational centres will conduct monthly check-ups to ensure all safety equipment are well-maintained. Our Group will conduct spot checks on our subsidiaries in the last quarter of every year to ensure we uphold high quality control standard for our services and tower cranes.

One-off fatal accident in 2018

During the Track Record Period, we had encountered one accident in January 2018 that resulted in the death of a worker (the “**Accident**”). The Accident occurred in our tower crane yard leased by Zhongjian Tat Hong located in Kunshan, the PRC (the “**Kunshan Tower Crane Yard**”), when our staff, and the deceased worker, who was a subcontracted worker, were unloading stacks of dissembled tower crane parts (the “**Part**”) from cargo trucks using mobile cranes. According to our Safety Operating Procedure (the “**SOP**”) implemented since 1 November 2016, the workers are required to ensure that the specific Parts shall be duly hooked to the mobile crane before they are to be untied. As the deceased worker did not fully follow the safety procedures and instructions in our SOP, the Part slipped and hit the deceased worker. As a result of this Accident, Zhongjian Tat Hong and Mr. Henry Lin, the legal representative of Zhongjian Tat Hong and our executive Director, were respectively fined for RMB0.3 million and RMB52,803 by Kunshan City Work Safety Supervision Bureau (昆山市安全生產監督管理局). Zhongjian Tat Hong also entered into a tripartite compensation agreement with the deceased worker’s family members and the deceased’s employer (the “**Subcontractor Employer**”), and paid RMB543,418 to the deceased’s family members on an ex gratia basis while the remaining RMB756,582 was borne by the Subcontractor Employer. Zhongjian Tat Hong had subsequently recovered RMB380,000 from the insurance company under its employer liability insurance. Our PRC Legal Advisers have confirmed that the compensation in the sum of RMB1.3 million for the Accident has been fully settled by all parties under the tripartite compensation agreement. Our Directors also confirmed that the claim under the Accident did not result in a significant increase in the subsequent insurance premiums charged to our Group.

After the Accident, we have refined the following approaches to enhance our internal control measures and prevent the recurrence of similar incidents:

- reviewed and revised our safety inspection management system – we require (i) the operation team leaders to oversee and monitor the entire process before, during and after crane operations, (ii) random inspections to be conducted by senior foremen and/or managers on a regular basis, (iii) supervision and inspection by full-time safety management personnel, and (iv) regular reviews of the implementation of the safety measures and assess the effectiveness of the measures;
- enhanced the scope and regularity of the training to both our own workers and workers of our labour subcontractor providers; strengthened the assessment methods on the operators and workers’ knowledge on, and the level of compliance of, the safety measures; and increased the frequency of operational assessments based on the original assessment framework – our management staff is required to conduct spot checks by phone regarding operators’ training to monitor the operators’ knowledge on the safety measures, and we also include employees’ knowledge on safety measures as one of their key performance assessments;

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- improved the training materials – taking into account the fact that some of the operators or workers may not be familiar with all the technical terms of the SOP manual, we have added more illustrations with examples and pictures to the SOP manual, aiming to improve the operators and workers’ level of apprehension of the safety measures and the content of the SOP manual; and
- additional pre-work shift briefing – the management requires the operation team leaders to verbally explain the operating procedures, safety measures to prevent accidents, and how to respond to emergency before each crane operation.

Our Directors confirmed that, to their best knowledge and belief, other than the Accident, we had not experienced any industrial accident during the Track Record Period and up to the Latest Practicable Date, which resulted in death, or severe injury of our employees or workers of our labour subcontractor providers whereby their working capacity would be totally or largely lost. Nevertheless, in September 2019, a worker unfortunately passed away during the course of working due to a heart attack, and we have been assisting the deceased worker’s family while the insurance claim is being processed. Taking into account the total number of our own workers and the workers of our labour subcontractor providers working on site for each period of the Track Record Period, our workplace injury rate was approximately 0.7%, 0.6%, 0.5% and 0.04% and our fatality rate was approximately 0.03%, nil, 0.03% and nil for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. In addition, our lost-time injury frequency rate for our own employees, which refers to the loss of productive work of our employees in the form of absenteeism or delays, was approximately 2.8, 2.5, 2.0 and 0.5 for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively.

On the basis that (i) the Accident was an isolated incident due to the worker’s own negligence, which was not attributed by any systemic failure of the safety guidelines and standard procedures adopted by our Group; (ii) other than the Accident, we had not experienced any industrial accident during the Track Record Period and up to the Latest Practicable Date, which resulted in death, or severe injury of our employees or workers of our labour subcontractor providers whereby their working capacity would be totally or largely lost, our Directors believe that, and the Sole Sponsor concurs, that our enhanced internal control as to safety would be adequate and effective to prevent the recurrence of similar accidents in the future. Our PRC Legal Advisers also confirmed that we have been in compliance with all material respects in accordance with the applicable laws and regulations relating to labour safety in the PRC during the Track Record Period.

One-off failure to meet relevant safety standards in 2018

On 22 March 2019, Zhongjian Tat Hong was listed as an unqualified enterprise which had failed to meet the relevant safety standards as assessed annually by the Shanghai Branch of Housing and Urban-rural Construction of Jiangsu Province (江蘇省住房和城鄉建設廳駐滬辦) and subsequently submitted and published by the Shanghai Housing and Urban-rural Construction Management Committee (上海市住房和城鄉建設管理委員會) (together, the “**Assessing Committee**”) (the “**Incident**”). The Assessing Committee typically conducts the

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assessment annually (the “**Assessment**”), under which, (i) the project manager of the main contractor should evaluate the subcontractor’s performance and complete an evaluation form (the “**Evaluation Form**”) to be submitted to the Assessing Committee for each of the project completed during the year; and (ii) prior to 2018, the project manager of the main contractor can, on behalf of the subcontractor, submit a self-evaluation form (the “**Self-Evaluation Form**”) of the enterprise to the Assessing Committee. After 2018, the subcontractor is required to directly submit the Self-Evaluation Form online to the Assessing Committee.

In 2018, our Zhongjian Tat Hong had completed 15 projects. However, as our relevant project manager of one completed project had missed the submission of the Evaluation Form to the Assessing Committee, this project was rated as unqualified by the Assessing Committee. According to the Assessment, the unqualified rate of all completed projects conducted by us during the year cannot exceed 5%. Due to this unqualified project, our unqualified rate of completed projects in 2018 was approximately 6.7%. As a consequence, Zhongjian Tat Hong was listed as an unqualified enterprise by the Assessing Committee. In addition, due to the change of rules under the Assessment in 2018, the relevant project manager can no longer submit our Self-Evaluation Form to the Assessing Committee on behalf us. Instead, we, as subcontractors, were required to submit the Self-Evaluation Forms online directly to the Assessing Committee. Both of the relevant project manager and us were not aware of such change of rules, which led our failure to submit the Self-Evaluation Form directly to the Assessing Committee online. As a consequence, Zhongjian Tat Hong was listed as an unqualified enterprise to meet the relevant safety standards of Shanghai Construction Standardisation Assessment Standard for Construction Safety Production (上海市建築施工安全生產標準化考評規範) in 2018. As advised by our PRC Legal Advisers, (i) such Incident was a one-off incident and would not constitute a non-compliance of or impose any administrative penalty on Zhongjian Tat Hong; (ii) such Incident would not constitute any violation or non-compliance of meeting any relevant safety standards; and (iii) the Assessment would not have a material impact on our continuing business operation.

After the Incident, we have studied the new rule as stated in the Assessment and the policies of the local government and improved the communication with relevant project managers and local authorities. Our internal management has also been enhanced in this respect. On 25 February 2020, we received the certificate from the Shanghai Branch of Housing and Urban-rural Construction of Jiangsu Province (江蘇省住房和城鄉建設廳駐滬辦) in relation to the projects completed by Zhongjian Tat Hong in 2019, pursuant to which, among 15 completed construction projects, 13 and two projects were assessed as excellent and qualified, respectively, with 100% passing rate. On 16 March 2020, the Assessing Committee had issued the 2019 Assessment results, in which Zhongjian Tat Hong was listed as an excellent enterprise that had successfully met the relevant safety standards in 2019.

INFORMATION SYSTEMS

Our management promotes innovation and encourages self-driven research and development for the improvement of productivity. We aim to build a working environment that enhances operational efficiency where we continuously improve productivity through the contribution of technology and research and development. Our research and development team

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has built integrated information systems covering the management of extensive areas of our daily operation, including the management of our equipment, project, insurance, administrative and financial management, designed to improve efficiency, systemise continuity and eliminate and manage repeatability in daily operations.

iSmartCon

Our projects are internally managed using iSmartCon, our in-house developed open platform mobile application made for information management aimed to improve operating efficiency, facilitate repair and maintenance management, as well as safety management. iSmartCon aims to address issues that parties in a project commonly encounter in various stages of the project or during the overall project management, which include issues such as identifying suitable tower cranes with specifications that meet specific projects and functions, ensuring seamless execution and contract fulfilments in repair and maintenance and monitoring safety check status effectively.

We aim to develop iSmartCon as an information management tool that provides real-time information analysis and a management and communication platform accessible by all parties in a particular project. iSmartCon will also offer shared supply chain resources to its users and enables parties in a particular project to quickly identify the most suitable service provider nearby the project location. Furthermore, iSmartCon will provide a database with project case studies and industry best practices for consistent knowledge sharing, and real-time data analysis to facilitate the management decision-making process. We believe that our iSmartCon will enhance our operational efficiency and information management which allows us to achieve scalable business growth.

LEAP system

We manage our procurement through our in-house developed LEAP system, which enabled us to track the procurement cycle and deployment and utilisation rate of our tower cranes and related parts and components and other accessories. We can conduct twenty four-seven monitoring and ascertain real-time geographical location of our tower cranes with our LEAP system.

Expense control system

We control our project expenses through our in-house developed expense control system to achieve stringent, comprehensive and rational cost control objectives, thereby ensuring our project execution progresses as planned.

Insurance management system

Our in-house developed insurance management system allows all relevant parties in every project (including insurance brokers and insurance companies) to share information and communicate on a single platform, which ensures timely and unified tracking of the statuses of our insurance claims.

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Our in-house developed TOP is a flexible platform that facilitates management of our administrative services in a timely and easily accessible manner. It addresses the main administrative functions such as application and approval of travel claims, leaves, use of official stamps, use of IT devices, and performance appraisal. It can also be readily customised for application and approval of specific operational matters such as approval of commercial contracts, approval for commencement of specific works and approval for outsourced maintenance.

LICENCES, PERMITS AND QUALIFICATIONS

The below table sets out the details of our licences, permits and qualifications in the PRC as at the Latest Practicable Date:

Licence, permit, qualification and/or status	Holder	Issuing authority	Type(s) of works and/or services covered	Expiry date	Reference number
Construction Enterprise Qualification certificate (建築業企業資 質證書)	Zhongjian Tat Hong	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和 城鄉建設廳)	Professional Contractor for Installation and Engineering of Hoisting Equipment Level 1 (起重設 備安裝工程專業 承包壹級)	4 May 2021	DW232000497
Safety Production Permit (安全生 產許可證)	Zhongjian Tat Hong	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和 城鄉建設廳)	Construction work	13 February 2021	(蘇)JZ安許證字 [2009] 040006
Construction Enterprise Qualification certificate (建 築業企業資質 證書)	Changzhou Tat Hong	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和 城鄉建設廳)	Professional Contractor for Installation and Engineering of Hoisting Equipment Level 1 (起重設 備安裝工程專業 承包壹級)	13 November 2025	DW232220165

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Licence, permit, qualification and/or status	Holder	Issuing authority	Type(s) of works and/or services covered	Expiry date	Reference number
Safety Production Permit (安全生產許可證)	Changzhou Tat Hong	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)	Construction work	9 November 2023	(蘇)JZ安許證字 [2014] 042021
Special Equipment Installation and Renovation Maintenance Permit (特種設備安裝改造維修許可證)	Huaxing Tat Hong	Jiangsu Provincial Quality and Technology Supervisory Bureau (江蘇省質量技術監督局)	Tower Crane Installation and Maintenance Level A (塔式起重機安裝維修 A級)	23 May 2021	TS3432383-2021
Construction Enterprise Qualification certificate (建築業企業資質證書)	Huaxing Tat Hong	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)	Professional Contractor for Installation and Engineering of Hoisting Equipment Level 1 (起重設備安裝工程專業承包壹級)	17 May 2021	D232097631
Safety Production Permit (安全生產許可證)	Huaxing Tat Hong	Jiangsu Provincial Department of Housing and Urban-Rural Development (江蘇省住房和城鄉建設廳)	Construction work	15 February 2023	(蘇)JZ安許證字 [2005] 100477

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Licence, permit, qualification and/or status	Holder	Issuing authority	Type(s) of works and/or services covered	Expiry date	Reference number
Entity filed on the National Financial Leasing Enterprise Management Information System (全國 融資租賃企業 管理信息系統)	Jiangsu Hengxingmao	China Banking and Insurance Regulatory Commission (中國銀行保險 監督管理委員 會)	Filed enterprise	No expiry date once filed	3200000107
Production License of Special Equipment (特種設備生產 許可證)	Ronghe Tat Hong	Jiangsu Provincial Administration for Market Regulation (江蘇省市場監 督管理局)	Hoisting Machinery Manufacture (including installation, repairs and modification (起重機械製造 (含安裝、修 理、改造))	23 July 2024	TS2432059-2024

Our Directors confirm that we have obtained all necessary licenses, permits, consents and approvals for our current business operations in jurisdictions where we operate. Our Directors also confirm that we did not experience any material difficulties in obtaining and/or renewing such licenses, permits, consent and approvals. Furthermore, our Directors confirm that they are not aware of any circumstances that would significantly hinder or delay the renewal of such licenses, permits, consents and approvals.

For details of the internal control measures adopted by our Group to ensure on-going compliance with the requirements of all our major licenses and permits, please refer to the paragraph headed “Business – Internal control” in this section.

INSURANCE

We have in place a comprehensive insurance coverage for most aspects of our business operations. Our insurance coverage primarily includes employer liability insurance, and construction machinery and equipment comprehensive insurance. Our employer liability insurance covers death compensation, disability compensation, lost time, medical expenses and legal expenses. Our construction machinery and equipment comprehensive insurance covers

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material loss insurance, third party liability insurance and transportation insurance. Our in-house developed insurance management system allows all relevant parties in every project (including insurance brokers and insurance companies) to share information and communicate on a single platform, which ensures timely and unified tracking of the statuses of our insurance claims.

We consider our current insurance coverage to be adequate and is in line with industry practice as we have maintained insurance policies which are mandatory under relevant PRC laws and regulations and in accordance with the industry practice. During the Track Record Period and up to the Latest Practicable Date, we had made, one material insurance claim and it had been settled already. For our risks associated with lack of business insurance coverage, please refer to the section headed “Risk Factors – Risks relating to our business – Our insurance policies may not be adequate to cover all risks of loss associated with our business operations” in this prospectus.

ENVIRONMENTAL PROTECTION

According to the Law of the People’s Republic of China on Environmental Impact Assessment (中華人民共和國環境影響評價法), which was promulgated by the SCNPC on 28 October 2002, became effective on 1 September 2003 and last amended and became effective on 29 December 2018, in the event that a construction project may cause significant environmental impacts, a report of environmental impacts shall be completed by a construction unit and includes a full assessment of environmental impacts. In the event that a construction project may cause gentle environmental impacts, a report of environmental impacts shall be completed by a construction unit and includes an analysis or special assessment of environmental impacts. In the event that a construction project that may cause little environmental impacts, where an environmental impact assessment is unnecessary, an environmental impacts registration form shall be completed. The construction unit may entrust the technical unit to carry out environmental impact assessment on its construction project and prepare the report of environmental impacts and environmental impacts registration form.

As the construction and expansion of our Yangzhou Refurbishment Centre is subject to environmental impact assessment, we have entrusted a third-party technical unit to carry out environmental impact assessment on our Yangzhou Refurbishment Centre and prepare the report of environmental impacts. We completed our environmental valuation in April 2020.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notice or warning in relation to environmental protection matters, nor we had been subject to any fines, penalties or other legal actions by government agencies in the PRC resulting from any material non-compliance with any environmental protection laws in the PRC and, so far as our Directors are aware after making all reasonable enquiries, there was no threatened or pending action by any PRC environmental government agencies in respect thereof. For details of the environment and safety related laws and regulations applicable to our business operation, please refer to the section headed “Regulatory Overview” in this prospectus.

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AWARDS AND RECOGNITION

We have been accredited various awards and certificates in recognition of our work and services, details of which are set out below:

Year	Awards and recognition	Award holder	Issuing authority
2020	China Top 20 Tower Crane Rental Company (中國塔機租賃商20強)	Zhongjian Tat Hong	Organising Committee of World Tower Crane Summit & China Tower Crane Rental 100 Forum (全球塔式起重機峰會暨中國塔機租賃商百強大會組委會) and China Construction Machinery Magazine (中國工程機械雜誌)
2020	Certificate of Enterprise Credit Grade AA (企業信用等級證書AA級)	Zhongjian Tat Hong	Jiangsu Province Construction Industry Association Construction Safety and Equipment Management Branch (江蘇省建築行業協會建築安全設備管理分會)
2020	Certificate of Enterprise Credit Grade AA (企業信用等級證書AA級)	Changzhou Tat Hong	Jiangsu Province Construction Industry Association Construction Safety and Equipment Management Branch (江蘇省建築行業協會建築安全設備管理分會)
2020	Industry Recognition Certificate (行業確認書)	Zhongjian Tat Hong	Jiangsu Province Construction Industry Association Construction Safety and Equipment Management Branch (江蘇省建築行業協會建築安全設備管理分會)
2020	Industry Recognition Certificate (行業確認書)	Changzhou Tat Hong	Jiangsu Province Construction Industry Association Construction Safety and Equipment Management Branch (江蘇省建築行業協會建築安全設備管理分會)
2019	Certificate of Enterprise Credit Grade AAA (企業信用等級證書AAA級)	Huaxing Tat Hong	Shanghai Development Safety Association for Construction Safety (上海市建設安全協會建築設施安全分會)

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Year	Awards and recognition	Award holder	Issuing authority
2019	Champion of the 2019 Jiangsu Construction Enterprises Safety Knowledge Competition (2019年江蘇省進京施工企業安全生產知識競賽第一名)	Zhongjian Tat Hong	江蘇省人民政府駐北京辦事處建築管理處
2019	Commendation for quality installation of hoisting equipment 2018 (2018年度起重設備安裝質量表揚單位)	Zhongjian Tat Hong	Shanghai Construction Machinery Testing Center Co., Ltd. (上海市建設機械檢測中心有限公司)
2019	2018 Excellent Subcontracting Unit (2018年度優秀分包單位)	Huaxing Tat Hong	The Eighth Project Department of Shenzhen Branch of China Construction Second Engineering Bureau Ltd. (中建二局深圳分公司第八項目部)
2018	2018 Top 50 National Enterprises for Construction Machinery Rental (2018全國建築施工機械租賃50強企業)	Zhongjian Tat Hong	China Construction Industry Association Machinery Management and Leasing Branch (中國建築業協會機械管理與租賃分會)
2018	Construction Machinery Safety Management Award (建機安全管理獎)	Changzhou Tat Hong	National Construction Machinery Leasing and Safety Management Council (全國建築機械租賃與安全管理理事會)
2018	Certificate of High & New Technology Enterprise 高新技術企業證書 (GR201832002048)	Huaxing Tat Hong	Ministry of Science & Technology of Jiangsu Province (江蘇省科學技術廳), Department of Finance of Jiangsu Province (江蘇省財政廳), State Administration of Jiangsu Province (國家稅務總局江蘇省稅務局)
2018	Camaraderie advanced technology, service excellence and safety quality (配合默契、技術過硬、服務優良、安全保障)	Huaxing Tat Hong	Project Department of Haizhu Guangzhi Plot of China Construction Third Bureau First Engineering Co., Ltd. (中建三局第一建設工程有限責任公司海珠廣紙地塊項目部)

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Year	Awards and recognition	Award holder	Issuing authority
2018	2018 Sincere Cooperation Award (2018年精誠合作獎)	Zhongjian Tat Hong	The Fourth Construction Co., Ltd. of China Construction Eighth Engineering Division (中建八局第四建設有限公司上海分公司)
2018	2017 Annual Safety Production Advance Enterprise Award (2017年度上海市建設工程安全生產先進企業)	Huaxing Tat Hong	Shanghai Development Safety Association for Construction Safety (上海市建設安全協會)
2017	First Runner-up in Yongmao Cup CEPCA Group Competition for Skilled Hoisting with Tower Cranes (永茂杯中電建協第五屆吊裝技能競賽塔式起重機團體賽第二名)	Zhongjian Tat Hong	China Electric Power Construction Association (中國電力建設企業協會)
2017	2016 Excellent Supplier (2016年度優秀分供方)	Zhongjian Tat Hong	China Construction Third Bureau Central South Branch (中建三局一公司中南公司)
2017	2016 Annual Safety Production Advance Enterprise Award (2016年度上海市建設工程安全生產先進企業)	Huaxing Tat Hong	Shanghai Development Safety Association for Construction Safety (上海市建設安全協會)
2015	Jiangsu Province Quality and Safety Management AAA Excellent Construction Enterprise (江蘇省質量安全管理AAA級優秀施工企業)	Changzhou Tat Hong	Jiangsu Construction and Infrastructure Control and Supervise Office (江蘇省工程建設監督管理辦公室), Jiangsu Construction Market Quality Control and Safety Management Office (江蘇建築市場質量安全跟蹤調查辦公室) and Jiangsu Enterprise Reputation and Comprehensive Investigation Committee (江蘇省企業信譽綜合調查組委會)
2015	Excellent Supplier Silver Award (優秀供應商銀獎)	Changzhou Tat Hong	China Construction First Group Corporation Limited First Supplier Conference (中國建築一局集團首屆供應商大會)

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Year	Awards and recognition	Award holder	Issuing authority
2014	Jiangsu Provincial Construction Unit with Quality and Integrity (江蘇省重質量守信譽誠信施工單位)	Changzhou Tat Hong	Jiangsu Construction and Infrastructure Control and Supervise Office (江蘇省工程建設監督管理辦公室), Jiangsu Construction Market Quality Control and Safety Management Office (江蘇建築市場質量安全跟蹤調查辦公室) and Jiangsu Enterprise Reputation and Comprehensive Investigation Committee (江蘇省企業信譽綜合調查評價組委會)

INTELLECTUAL PROPERTY RIGHTS

Trademarks and other intellectual property

As at the Latest Practicable Date, we were the registered proprietor of 41 patents, 10 trademarks, 13 copyrights, 16 software copyrights and 10 domain names in the PRC, and made 13 patent applications in the PRC in relation to design, utility models and inventions.

For further details of our intellectual property rights, please see the section headed “Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights of our Company” in Appendix IV to this prospectus. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any infringement and dispute of our intellectual property rights which had a material adverse effect on our business.

EMPLOYEES

As at 30 June 2020, we had a total of 810 full-time employees in the PRC, who are directly hired by us. Our goal is to provide employees with resources and environment and encourage them to develop careers with us. We provide employees with on-the-job education, training and other opportunities to improve their skills and knowledge. We also review the performance of our employees on yearly basis and give bonus incentives to them, according to their position and contribution to our Group.

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The table below sets out a breakdown of our employees by department as at 30 June 2020:

	Number of employees
Project execution (onsite work)	455
Repair and maintenance	108
Management and administration	170
Research and development	47
Sales and marketing	30
Total:	810

PROPERTIES

Owned properties

Our Yangzhou Refurbishment Centre is located at 1 Zhongyuan Road, Yangzhou Chemical Industrial Park, Jiangsu province, the PRC, and has a total site area of approximately 94,310 sq.m. As confirmed by our PRC Legal Advisers, we have obtained all the relevant land certificates and building ownership certificates for our Yangzhou Refurbishment Centre and have the rights to possess, lease, use, transfer the title of our Yangzhou Refurbishment Centre. For more details of our Yangzhou Refurbishment Centre, please refer to the section headed “Business – Our tower cranes yards and Yangzhou Refurbishment Centre – Our Yangzhou Refurbishment Centre” in this prospectus.

In accordance to the urban development plan implemented by Yizheng Municipal Government, on 1 September 2020, Yizheng Land Reserve Development Centre* (儀征市土地儲備開發中心), Yizheng Construction Development Co., Ltd.* (儀征市建設發展有限公司) and our Ronghe Tat Hong entered into a land requisition agreement under the witness of Yizheng Municipal Bureau of Housing and Urban-Rural Development, pursuant to which, Yizheng Land Reserve Development Centre* (儀征市土地儲備開發中心) would acquire and reserve two pieces of land with an aggregate area of 7,144.4 sq.m. within our Yangzhou Refurbishment Centre at a total compensation of approximately RMB5.9 million (the “**Compensation**”). As at the Latest Practicable Date, we had received the full amount of the Compensation from Yizheng Land Reserve Development Centre* (儀征市土地儲備開發中心), and had completed the title transfer for the designated pieces of land to the relevant government authorities. Our Directors confirmed that the pieces of land under this requisition would not affect our current development and future operation of Yangzhou Refurbishment Centre.

Leased properties

We currently have eight subsidiaries in the PRC. Apart from our Ronghe Tat Hong which owns our Yangzhou Refurbishment Centre, our Tat Hong Zhaomao, Jiangsu Hengxingmao, Shanghai Tat Hong, Huaxing Tat Hong, Zhongjian Tat Hong and Changzhou Tat Hong had set up offices for their branches across the PRC. As at the Latest Practicable Date, we had 36

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on-going enforceable lease agreements in the PRC with independent third-parties and we had obtained governmental approvals for free use for five properties as registered offices of our Jiangsu Hengxingmao, Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong and Chongqing Tat Hong.

The table below sets out the basic information of our leases for the registered offices of Tat Hong Zhaomao and Shanghai Tat Hong, as well as our eight tower crane yards:

Leased offices

<u>Location</u>	<u>Members of our Group</u>	<u>Gross floor area (approximately sq.m.)</u>	<u>Lease term</u>
1. Our office in Minhang District, Shanghai, the PRC	Tat Hong Zhaomao	121	From 1 October 2020 to 30 September 2023
2. Our office in Pudong New District, Shanghai, the PRC	Shanghai Tat Hong	137	From 17 April 2019 to 16 April 2029

Leased tower crane yards

<u>Location</u>	<u>Members of our Group</u>	<u>Site area (approximately sq.m.)</u>	<u>Lease term</u>
1. Our tower crane yard in Chongqing, the PRC	Huaxing Tat Hong	4,200	Form 1 January 2018 to 31 December 2022
2. Our tower crane yard in Taicang, Suzhou, Jiangsu province, the PRC	Zhongjian Tat Hong	6,000	From 22 April 2018 to 21 April 2028
3. Our tower crane yard in Wuxi, Jiangsu province, the PRC	Zhongjian Tat Hong	6,000	1 July 2019 to 30 June 2024
4. Our tower crane yard in Taicang Suzhou, Jiangsu province, the PRC	Changzhou Tat Hong	3,335	1 July 2020 to 30 June 2021
5. Our tower crane yard in Dashanling, Dongguan, Guangdong province, the PRC	Huaxing Tat Hong	7,878	From 1 July 2019 to 31 October 2023
6. Our tower crane yard in Changping, Dongguan, Guangdong province, the PRC	Huaxing Tat Hong	9,200	From 1 July 2019 to 31 December 2023

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	<u>Location</u>	<u>Members of our Group</u>	<u>Site area (approximately sq.m.)</u>	<u>Lease term</u>
7.	Our tower crane yard in Hefei, Anhui province, the PRC	Changzhou Tat Hong	10,000	From 1 March 2017 to 1 March 2023
8.	Our tower crane yard in Taicang, Suzhou, Jiangsu province, the PRC	Huaxing Tat Hong	11,639	1 July 2020 to 30 June 2021

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We are subject to laws, regulations and supervision by different levels of regulatory authorities in the PRC, and are required to maintain certain licences, permits and approvals in order to operate our business in the PRC. A summary of such relevant laws and regulations which our business operation is subject to is set out in the section headed “Regulatory Overview” in this prospectus. Our PRC Legal Advisers have confirmed that we have obtained all relevant licences, permits and approvals required for our current business operation in the PRC, and such licences, permits and approvals are valid and remain in effect as at the Latest Practicable Date. Further, as advised by our PRC Legal Advisers, there has not been any material or systematic non-compliance with respect to PRC laws and/or regulations applicable to our Group during the Track Record Period and as at the Latest Practicable Date.

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries were involved in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group.

INTERNAL CONTROL

It is the responsibility of our Board to ensure that our Company maintains sound and effective internal controls to safeguard our Shareholders’ investment and our Group’s assets at all times. We have adopted a series of internal control policies and procedures designed to provide reasonable assurance for achieving effective and efficient operation, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Code of conduct

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

Anti-corruption measures

We have internal anti-corruption policies and procedures in place to ensure our compliance with the relevant anti-corruption laws and regulations as well as to prevent the occurrence of bribery, corruption or fraudulent practice by our Directors and employees. Our

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

Internal audit

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

Corporate governance measures

We have complied with the Corporate Governance Code. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and Senior Management” in this prospectus. In particular, one of the primary duties of our Audit Committee is to review and supervise the financial reporting process and internal control system of our Group. Our Audit Committee consists of all three of our independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and Senior Management” in this prospectus. To avoid potential conflicts of interest, we will implement corporate governance measures as set out in the paragraph headed “Relationship with Controlling

Shareholders – Non-competition undertakings – Corporate governance measures” in this prospectus. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code in each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

Environmental, social and governance

We are committed to comply with the environmental, social and governance (“ESG”) reporting requirements upon Listing. We have adopted the ESG Policy which sets out the approach to establishing and implementing ESG principles and practices with reference to Appendix 27 to the Listing Rules. Our Board has the collective and overall responsibility for overseeing the formulation and reporting of the ESG strategies and assessing and determining the ESG-related risks at least once a year. Our Board may assess or engage independent third party(ies) to evaluate the ESG risks and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

Compliance with Listing Rules and relevant laws and regulations

We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange various trainings to be provided by our Hong Kong legal advisers to our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions, and by our PRC legal advisers on PRC laws and regulations.

Views of our Directors in relation to internal control

In view of the internal control measures adopted by our Group (the major measures were set out in the paragraph above in this section), our Directors are of the view that we have adequate internal control procedures and policies in place to prevent occurrence of the non-compliance incidents by our Group in the future. Further, in light of the preventive measures mentioned above, our Directors are of the view that our Group has adequate and effective internal control procedures in place. Furthermore, going forward, we will engage external professional advisers to advise us on compliance matters. Our Directors are of the view that the above measures will be sufficient to prevent future occurrence of non-compliance incidents.

Compliance culture

Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

RISK MANAGEMENT

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

Our audit personnel, the audit committee of, and ultimately our Board supervise the implementation of our risk management policy at the corporate level by bringing together each operating department, such as customisation and development, quality control, procurement and sales, to collaborate on risk issues among different functions. They are responsible for evaluating potential market risks related to fluctuations in industrial environment and market variables, identifying irregularities in connection with operational, credit and market risks, and formulating policies and resolutions to mitigate or resolve these risks. For details about the qualifications and experience of the members of the audit committee of and our Board, please refer to the section headed “Directors and Senior Management” in this prospectus.

Risk identified

Our risk management measures and procedures

Tower crane breakdown

We have implemented procedures for regular tower crane examinations and arrangement for repair and maintenance to minimise the risk of tower crane breakdowns;

Quality of services provided by our labour subcontractors

Labours provided by our labour subcontractors companies are required to submit their tower crane service related qualifications and licences before we enter into service contracts with them. We also monitor their performance onsite and provide regular onsite trainings;

Operation safety

We have implemented safety procedures and ensure strictly compliance of safety measures as stated in our safety procedures by monitoring onsite performance, such as ensuring all our onsite workers are wearing safety belts and helmets. We also provide regular safety trainings onsite.

COMPETITION

The competition in the tower crane service industry is intense, but demand of tower crane services has been growing steadily in the recent years. According to Frost & Sullivan, the PRC tower crane service market is extremely fragmented with approximately over 7,000 players by the end of 2018, most of which are small-size private companies and individual service providers with small-scale tower cranes. Tower crane service providers with higher qualification level, stronger professional techniques and richer project experience are more likely to possess competitive advantages over the other competitors. In particular, Special-tier and Tier-1 EPC contractors are expected to have higher requirements in qualifications, services and management capability for medium-to-large sized tower crane service providers. There are few market drivers of the PRC tower crane service market, such as the favourable government policies on urbanisation and infrastructure, the increasing fixed asset investment, government-driven regional development and investment initiatives, the sustainable growth of the construction industry and nationwide promotion of prefabricated buildings. For details of the overview of, competitive landscape and entry barriers of the tower crane service industry in the PRC, please refer to the section headed “Industry Overview” in this prospectus.

CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, our Group had entered into a number of transactions with various connected persons of our Company which will continue and constitute continuing connected transactions (as defined under Chapter 14A of the Listing Rules) of our Company upon the Listing. These connected persons include Yongmao Group and companies indirectly controlled by the Ultimate Controlling Shareholders including Tat Hong Holdings who is also our Controlling Shareholder and therefore a connected person of our Company under Chapter 14A of the Listing Rule.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon Listing, it is expected that the following transactions will be carried out by our Group and regarded as non-exempt continuing connected transactions of our Group which will be subject to the reporting, announcement, circular, annual review requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The table set out below is a summary of the connected transactions between our Group and Yongmao Group during the Track Record Period:

Item	Connected person	Relationship with our Group	Nature of transactions
1.	Yongmao Group	Yongmao Group is principally engaged in design, development, manufacture and sales and leasing of wide range of tower cranes, components and accessories. As the listing vehicle of Yongmao Group on the SGX, Yongmao is owned as to approximately 57.4% by Sun & Tian Investment Pte. Ltd., which is wholly owned by Mr. Sun and his family members.	(i) Our Group purchased tower cranes and related parts and components from Yongmao Group (ii) Our Group rent tower cranes from Yongmao Group

As Mr. Sun is indirectly holding more than 30% shareholding interests in Yongmao, Yongmao is therefore considered as an associate of Mr. Sun and a connected person of our Company under Chapter 14A of the Listing Rules.

The subsidiaries of Yongmao Group with which we entered into business during the Track Record Period included Fushun Yongmao Construction Machinery Co. Ltd. ("**Fushun Yongmao**") and Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. ("**Beijing Yongmao**").

CONNECTED TRANSACTIONS

Yongmao Master Agreement

Description of the transaction

On 22 December 2020, our Group entered into a master agreement with Yongmao Group (“**Yongmao Master Agreement**”), pursuant to which our Group agreed to (i) purchase tower cranes and related parts and components and (ii) rent tower cranes and related parts and components from Yongmao Group on a non-exclusive basis. The principal terms of the Yongmao Master Agreement are set out as follows:

Parties:	Our Group and Yongmao Group
Date:	22 December 2020
Term:	From the Listing Date to 31 March 2023
Subject matter:	(i) purchase tower cranes and related parts and components and (ii) rent tower cranes and related parts and components from Yongmao Group
Annual Cap:	(a) The annual cap for the year ending 31 March 2021 shall be RMB80.3 million (b) The annual cap for the year ending 31 March 2022 shall be RMB109.8 million (c) The annual cap for the year ending 31 March 2023 shall be RMB107.8 million

Background of the connected person

Yongmao is a company listed on Singapore Stock Exchange (Stock Code: BKX) and Yongmao Group is principally engaged in design, development, manufacture and sales and leasing of wide range of tower cranes, components and accessories.

According to the annual reports of Yongmao published on the website of the Singapore Stock Exchange, it recorded total revenue of approximately RMB653.5 million, RMB885.4 million and RMB962.4 million, and gross profit of approximately RMB189.5 million, RMB238.7 million and RMB248.8 million for the three years ended 31 March 2018, 2019 and 2020, respectively.

Tat Hong Holdings, one of our Controlling Shareholders, owns approximately 24.0% of Yongmao whereas Sun & Tian Investment Pte. Ltd. (“**Sun & Tian**”) owns approximately 57.4% of Yongmao. Sun & Tian is wholly owned by Mr. Sun and his family members. Mr. Sun is the chairman and executive director of Yongmao and at the same time, he is our non-executive Director. By virtue of Sun & Tian holding approximately 57.4% of Yongmao and Mr. Sun is a non-executive Director of our Company, Yongmao is also considered as an associate of Mr.

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Sun and a connected person of the Company under Chapter 14A of the Listing Rules. In this regard, the transactions between our Group and Yongmao Group would constitute connected transactions of the Company upon listing of the shares of the Company on the Stock Exchange pursuant to the Listing Rules.

Similarly, Mr. Ng, our chairman and non-executive Director is the deputy chairman and non-executive director of Yongmao and he is not involved in the day-to-day management and operation of it.

The subsidiaries of Yongmao Group with which we entered into business during the Track Record Period included Fushun Yongmao and Beijing Yongmao.

Pricing Standard

Under the Yongmao Master Agreement, our Group can from time to time (i) purchase tower cranes and related parts and components and (ii) rent tower cranes and related parts and components from Yongmao Group which shall set out, inter alia, the quantity, product specifications, the unit purchase price, the unit rental price and payment terms. The unit purchase price shall be determined after arm's length negotiation between our Group and Yongmao Group from time to time with reference to the price list provided by Yongmao Group, the requirements and specifications of the tower cranes required by our Group, the prevailing market price of similar products, and in any event shall be not more than the price paid by our Group to independent third parties for similar products. The unit rental fee shall be determined after arm's length negotiation between our Group and Yongmao Group from time to time with reference to the fee list provided by Yongmao Group, the requirements and specifications of the tower cranes required by our Group, the prevailing market fee of similar services, and in any event shall be not more than the fee paid by our Group to independent third parties for similar services.

To ensure that the prices or rental fees offered by Yongmao Group are in line with normal commercial terms, our Group has adopted a policy to seek and obtain quotations from at least two independent third-party suppliers of tower cranes and related parts and components in addition to the quotation from Yongmao Group. Factors that our Group would consider in the quotation procedures for the purchase/rental of tower cranes and related parts and components include (i) the terms of the quotations received, including the price/fee and response to the requirements and specifications of tower cranes set by our Group; (ii) the background, qualifications and financial position of participating suppliers; (iii) the track record and historical business relationship between our Group and participating suppliers; and (iv) our Group's financial budget.

Before accepting a quotation, the responsible officers of our Group will find out the prevailing market price/fee range for similar products/services. The responsible management team will then approve the quotation and enter into the relevant agreement after confirming that the contractual price/fee is commercially reasonable and within the market range reflected in the market information. To ensure a fair process, our Directors and employees who have a conflict of interest in the transaction will not participate in the selection process and the

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interested Director(s) is/are required to abstain from voting at the relevant meeting of the Board. The purchasing department of our Group would conduct internal monitoring in respect of the pricing under the continuing connected transactions from time to time, and ensure that the transactions are in line with normal commercial terms.

After considering the above selection factors and conducting the above procedures, if our Group concludes that it is in the interest of our Group and our Shareholders as a whole to accept the quotation of Yongmao Group and, in particular, if the price/fee and terms offered by Yongmao Group are fair and reasonable and comparable to, or more favourable to our Group than those offered by independent third-party suppliers, our Group will place orders with Yongmao Group for the relevant purchase/rental of tower cranes and related parts and components. For further details, please refer to the section headed “Business – Our procurement and rental – Our business arrangement with Yongmao Group”.

Reasons for the transaction

Our Group has developed a long-standing and established business relationship with Yongmao Group for over 12 years. Such long-term business relationship with Yongmao Group was established mainly due to the reputation of Yongmao Group, the quality of its tower cranes and its ability to provide prompt maintenance services.

According to Frost & Sullivan, Yongmao is one of the top three largest tower crane manufacturer in the PRC. Yongmao Group is also the first Chinese manufacturer entering European market and American market with its complete tower crane, certified by European CE, Singapore MOM, Korea KOSHA, Russian GOST, American SGS, as well as type approved by Ukraine, Malaysia and Indonesia for the design and safety of its product. The brand name “Yongmao” was recognised as a “Chinese Well-Known Brand” (“中國馳名商標”) in the PRC in 2010.

Given that the business arrangements between our Group and Yongmao have always been on normal commercial terms and are fair and reasonable and in the best interest of our Group and our Shareholders as a whole, our Group will not rule out the possibility of continuously procuring tower cranes from Yongmao Group in the near future. In this connection, our Group will seek and obtain quotations from other suppliers in addition to the quotation from Yongmao Group. For further details, please refer to the paragraph headed “Non-exempt continuing connected transactions – Yongmao master agreement – Pricing standard” above in this section. Furthermore, our Directors believe that our Group would not have difficulty in finding alternative suppliers in the tower crane manufacturing market in the PRC for its procurement which are able to offer purchase or rental price comparable to that offered by Yongmao Group. For details of alternative suppliers of similar tower cranes available in the PRC market, please refer to the section headed “Business – Our procurement and rental – Our business arrangement with Yongmao Group” in this prospectus.

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Historical transaction amount

The historical transaction amount for the purchase and rental of tower cranes and related parts and components from Yongmao Group for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 is set out below:

	Historical transaction amounts (RMB'000)			
	(excluding value added tax)			
	(approximately)			
	For the year ended 31 March 2018	For the year ended 31 March 2019	For the year ended 31 March 2020	For the three months ended 30 June 2020
Purchase and rental of tower cranes and related parts and components from Yongmao Group	44,793	44,872	72,002	8,788

Proposed annual caps and its basis

	Annual Cap (RMB'000)		
	(excluding value added tax)		
	(approximately)		
	For the year ending 31 March 2021	For the year ending 31 March 2022	For the year ending 31 March 2023
Yongmao Master Agreement	80,348	109,760	107,750

In determining the above annual caps, our Directors have considered (i) the relevant historical transaction amount paid by our Group to Yongmao Group for the purchase and rental of tower cranes and related parts and components; (ii) the future growth and expansion of our Group's business, in particular, taking into account our Group's proposed purchase plan of tower cranes from Yongmao Group for the next three years as further elaborated below; (iii) the projected growth of the construction industry leading to an expected growth of tower crane service market in the PRC; (iv) the price list provided by Yongmao Group; and (v) the anticipated price trend of tower cranes and related parts and components for the three years ending 31 March 2021, 2022 and 2023.

CONNECTED TRANSACTIONS

Our Group's proposed purchase plan of tower cranes from Yongmao Group

Quantity and amount of tower cranes our Group purchased for the three years ended 31 March 2018, 2019 and 2020

The table below sets forth the breakdown of the historical transaction amount for purchase of tower cranes from Yongmao Group and the percentage thereof out of our total historical transaction amount for purchase of tower cranes (the “**percentage of purchase from Yongmao Group**”) for the three years ended 31 March 2018, 2019 and 2020:

	For the year ended 31 March 2018		For the year ended 31 March 2019		For the year ended 31 March 2020	
	Unit	Transaction amount (RMB'000) (excluding value added tax) (approximately)	Unit	Transaction amount (RMB'000) (excluding value added tax) (approximately)	Unit	Transaction amount (RMB'000) (excluding value added tax) (approximately)
Tower cranes purchased from						
Yongmao Group	31	31,397 ^(Note 1)	26	35,545 ^(Note 1)	40	60,237 ^(Note 1)
Total of tower cranes purchased	31	31,397	33	46,328	63	88,604
Percentage of purchase from						
Yongmao Group	–	100% ^(Note 2)	–	76.7% ^(Note 2)	–	68.0% ^(Note 2)

Notes:

- The difference between this amount and the historical transaction amount for the purchase and rental of tower cranes and related parts and components from Yongmao Group for the three years ended 31 March 2018, 2019 and 2020 represents the historical transaction amount for rental of tower cranes and purchase of related parts and components from Yongmao Group.
- For the year ended 31 March 2018, our Group purchased tower cranes only from Yongmao Group due to the high quality of its tower cranes in terms of their design on function and safeness. Nevertheless, the percentage of purchase from Yongmao Group demonstrated a decreasing trend for the two years ended 31 March 2019 and 2020 by reason of our Group's decision to reduce our reliance on Yongmao Group.

CONNECTED TRANSACTIONS

Quantity and amount of tower cranes our Group intends to purchase for the three years ending 31 March 2021, 2022 and 2023

Our Group has maintained strong business relationship with Yongmao Group since 2007 due to its leading position in the tower crane manufacturing industry and the high quality of its tower cranes in terms of their design on function and safeness. During the Track Record Period, our Group had procured 31, 26, 40 and 3 tower cranes respectively from Yongmao Group. As such, our Group will continue to procure tower cranes from Yongmao Group for the next three years. As disclosed in the paragraphs headed “Future plans and use of proceeds – Use of proceeds” in this prospectus, it is our Group’s plan to purchase approximately 30 tower cranes for the three months ending 31 March 2021 and at least 90 tower cranes per year for the two years ending 31 March 2023. Out of these purchases, it is expected that 37, 50 and 49 tower cranes will be purchased from Yongmao Group for the three years ending 31 March 2021, 2022 and 2023, respectively. Details of the expected tower crane purchases from Yongmao Group are set out below:

Tower Crane Model	Price/TM (RMB) ^(Note 1)	Average TM	Unit	For the year ending	For the year ending	For the year ending
				31 March 2021	31 March 2022	31 March 2023
				Transaction amount (RMB’000) (excluding value added tax) (approximately)	Transaction amount (RMB’000) (excluding value added tax) (approximately)	Transaction amount (RMB’000) (excluding value added tax) (approximately)
201-300TM	6,040	250	32	48,320	41	61,910
301-900TM	6,676	600	5	20,028	9	36,050
Total	-	-	37	68,348^(Note 2)	50	97,960^(Note 2)

Note 1: The price/TM is estimated based on the historical transactions with Yongmao Group and the anticipated price trend of tower cranes for the three years ending 31 March 2021, 2022 and 2023.

Note 2: The difference between the annual caps and this expected total transaction amount for the three years ending 31 March 2021, 2022 and 2023 represents the expected transaction amount for rental of tower cranes and purchase of related parts and components from Yongmao Group.

As a result of the aforesaid proposed purchase plan, there is a significant increase in the proposed annual caps for the three years ending 31 March 2021, 2022 and 2023.

CONNECTED TRANSACTIONS

According to the tables above, the percentage of purchase from Yongmao Group, for the three years ended 31 March 2018, 2019 and 2020 averaged approximately 76.5% and demonstrated a decreasing trend. Upon Listing, we are committed to continuing our efforts in ensuring that our proposed purchase plan of tower cranes will show less reliance on Yongmao Group. In particular, our percentage of purchase from Yongmao Group for the three years ending 31 March 2021, 2022 and 2023 is expected to be reduced as compared to that for the three years ended 31 March 2018, 2019 and 2020, as demonstrated in the table below:

	For the year ending 31 March 2021		For the year ending 31 March 2022		For the year ending 31 March 2023	
	Unit	Transaction amount (RMB'000) (excluding value added tax) (approximately)	Unit	Transaction amount (RMB'000) (excluding value added tax) (approximately)	Unit	Transaction amount (RMB'000) (excluding value added tax) (approximately)
Tower cranes to be purchased from Yongmao Group	37	68,348	50	97,960	49	96,450
Total of tower cranes to be purchased	75	140,702	102	201,436	101	199,926
Percentage of purchase from Yongmao Group	-	48.6%	-	48.6%	-	48.2%

According to the table above, the proposed percentage of purchase from Yongmao Group is confined to approximately 50% of the overall purchase of our Group for each of the three years ending 31 March 2021, 2022 and 2023, which is significantly lower than the average percentage of purchase from Yongmao Group for the three years ended 31 March 2018, 2019 and 2020 and each of the percentages of purchase from Yongmao Group in the same period. Based on the above purchase plan, our Directors believe that we will have no increasing reliance, and will have in fact significantly reduced our reliance, on Yongmao Group.

Upon Listing, our Group will continue our efforts to reduce our reliance on Yongmao Group. While we endeavour to maintain our established relationship with Yongmao Group, our Directors recognise the importance of expanding our supplier base with a view to sustaining long term growth. We will continue to improve our supplier network and foster relationships with potential new suppliers to further reduce reliance on any single supplier. For this purpose, our Directors believe that our Group would not have difficulty in finding alternative suppliers in the tower crane manufacturing market in the PRC for its procurement. As such, our Directors expect that the level of reliance on Yongmao Group is likely to decrease in the future. Based on our past experience, reputation in the PRC tower crane solution service market and well-established relationships with suppliers other than Yongmao Group, we believe that we will be able to source tower cranes from other suppliers at comparable market price. Accordingly, our Directors do not expect a material increase in costs in sourcing from new suppliers or increasing purchases from existing suppliers compared to Yongmao. For details of alternative suppliers of similar tower cranes available in the PRC market, please refer to the section headed “Business – Our procurement and rental – Our business arrangement with Yongmao Group” in this prospectus.

CONNECTED TRANSACTIONS

Source of funds for the proposed purchase of tower cranes from Yongmao Group

Upon the successful listing of our Company and up to the year ending 31 March 2023, approximately RMB256.4 million of the net proceeds from the Global Offering is expected to be used to purchase tower cranes to facilitate our Group's future growth and business expansion. Out of this amount, approximately RMB128.2 million will be applied to purchase tower cranes from Yongmao Group. Our Directors confirmed the payment for the remaining amount of the transactions contemplated under the Yongmao Master Agreement will be funded by internal resources of our Group and/or entering into bank loan contracts with PRC and/or offshore financial institutions.

Breakdowns of our anticipated sources of fund for payment of the transaction amount contemplated under the Yongmao Master Agreement (assuming that the annual caps are fully utilised) for the three years ending 31 March 2021, 2022 and 2023 are set out below:

Source of Fund	Expected amount to be settled by the respective source of fund (RMB'000) (excluding value added tax) (approximately)					
	For the year ending 31 March 2021		For the year ending 31 March 2022		For the year ending 31 March 2023	
Net proceeds from the						
Global Offering	33,287	41.4%	47,635	43.4%	47,278	43.9%
Bank loan	35,061	43.6%	50,326	45.9%	49,172	45.6%
Internal resources of						
our Group	12,000	15.0%	11,800	10.7%	11,300	10.5%
Total	80,348	100%	109,760	100%	107,750	100%

For further details of our future plans and the use of proceeds from the Global Offering, please refer to the section headed "Future plans and use of proceeds – Use of proceeds" in this prospectus.

Listing Rules Implications

As each of the applicable percentage ratio(s) (as defined in the Listing Rules) (other than the profits ratio) for the transactions with Yongmao Group for each of the three years ending 31 March 2021, 2022 and 2023 will exceed 5% and the annual consideration will exceed HK\$10 million, the transactions are therefore subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions below are fully exempted from reporting, announcement, annual review requirements and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The table set out below is a summary of the connected transactions between our Group and Tat Hong Holdings and/or its subsidiary during the Track Record Period:

Item	Connected person	Relationship with our Group	Nature of transactions
1.	Tat Hong Holdings	Tat Hong Holdings is a limited liability company incorporated in Singapore on 25 October 1991 and principally engaged in investment holding in Singapore. Tat Hong Holdings is one of our Controlling Shareholders and is therefore considered as a connected person of our Company under Chapter 14A of the Listing Rules.	Trademark License Agreement
2.	Beijing Tat Hong	Beijing Tat Hong is a company established under the laws of the PRC on 9 April 2009 and principally engaged in rental, installation and maintenance and repair of construction machinery and equipment. It is owned as to 100% by Tat Hong China, one of our Controlling Shareholders. As Tat Hong China is holding more than 30% shareholding interests in Beijing Tat Hong, Beijing Tat Hong is therefore considered as an associate of Tat Hong China and a connected person of our Company under Chapter 14A of the Listing Rules.	Vehicle Lease Agreement

1. Trademark License Agreement

Description of the transaction

We have historically used certain trademarks (the “**Licensed Trademarks**”) which have been registered by Tat Hong Holdings in the PRC and other jurisdictions for our use in connection with our operations on a non-exclusive basis. For details of our Licensed Trademarks, please refer to the section headed “Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property rights of our Company – (a) Trademarks” in Appendix IV to this prospectus and “Business – Intellectual property rights” in this prospectus.

CONNECTED TRANSACTIONS

In anticipation of the Global Offering and to ensure that our Group will continue to be able to use the Licensed Trademarks, on 22 December 2020, a trademark licensing agreement (the “**Trademark License Agreement**”) was entered into between our Group and Tat Hong Holdings, pursuant to which Tat Hong Holdings agreed to grant our Group the right to use the Licensed Trademarks at a total nominal consideration of RMB1 each year on a non-exclusive basis in connection with our operations for an initial term of three years commencing from the Listing Date and will be renewed automatically every three years from the initial expiry date to the extent permissible under the Listing Rules, relevant laws and regulations.

Background of the connected person

Tat Hong Holdings is a limited liability company incorporated in Singapore on 25 October 1991 and principally engaged in investment holding in Singapore. Tat Hong Holdings is one of our Controlling Shareholders and is therefore considered as a connected person of our Company under Chapter 14A of the Listing Rules.

Reasons for and benefits of the transaction

We have historically been using the Licensed Trademarks for our operations of tower crane solution service. Termination of the Licensed Trademarks will cause unnecessary inconvenience to our operations. We consider that the Licensed Trademarks will enhance our consistent service quality and aspiration to help our customers achieve high standard, and that such existing brand image allows us to resonate with our customers and facilitate our market and business expansion. As such, our Directors consider that the use of the Licensed Trademarks in our Group’s business will provide leverage and enhance the image and profile of our tower crane service projects in China. Our Directors are of the view that the Trademark License Agreement has been arrived at after arm’s length negotiations and that the terms are fair and reasonable, on normal commercial terms or better and are in the interest of our Company and Shareholders as a whole.

Historical transaction amount

	Historical transaction amounts (excluding value added tax) (approximate)			
	For the year ended 31 March 2018	For the year ended 31 March 2019	For the year ended 31 March 2020	For the three months ended 30 June 2020
Trademark License Agreement	Nil	Nil	Nil	Nil

CONNECTED TRANSACTIONS

Proposed annual caps and its basis

	Annual Cap (RMB) (excluding value added tax)		
	For the year ending 31 March 2021	For the year ending 31 March 2022	For the year ending 31 March 2023
Trademark License Agreement	1	1	1

Listing Rules Implications

As the license of the trademarks by Tat Hong Holdings to our Group is at a total nominal consideration of RMB1 each year, each of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Accordingly, the transactions under the Trademark License Agreements fall within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and are exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rule.

2. Rental of vehicles from Beijing Tat Hong to our Group

Description of the transaction

During the Track Record Period, Beijing Tat Hong as lessor and Changzhou Tat Hong, a subsidiary of our Company, as lessee entered into a vehicle leasing agreement, pursuant to which Beijing Tat Hong agreed to lease certain vehicles to our Group. In anticipation of the Global Offering and to ensure that our Group will continue to be able to use the vehicles, on 22 December 2020, Beijing Tat Hong as lessor and our Company, as lessee entered into a vehicle leasing agreement, pursuant to which Beijing Tat Hong agreed to lease certain vehicles to our Group (the "**Vehicle Lease Agreement**"). The principal terms of the Vehicle Lease Agreement are set out as follows:

Parties:	Our Group and Beijing Tat Hong
Date:	22 December 2020
Term:	From Listing Date to 31 March 2023
Subject matter:	Vehicle Lease Agreement
Annual Cap:	(a) The annual cap for the year ending 31 March 2021 shall be approximately RMB100,000 (b) The annual cap for the year ending 31 March 2022 shall be approximately RMB100,000 (c) The annual cap for the year ending 31 March 2023 shall be approximately RMB100,000

CONNECTED TRANSACTIONS

Background of the connected person

Beijing Tat Hong is a company established under the laws of the PRC on 9 April 2009 and principally engaged in rental, installation and maintenance and repair of construction machinery and equipment. It is owned as to 100% by Tat Hong China, one of our Controlling Shareholders. As Tat Hong China is holding more than 30% shareholding interests in Beijing Tat Hong, Beijing Tat Hong is therefore considered as an associate of Tat Hong China and a connected person of our Company under Chapter 14A of the Listing Rules.

Pricing Standard

Under the Vehicle Lease Agreement, our Group can lease certain vehicles from Beijing Tat Hong at a monthly rental of RMB2,000 per vehicle determined after arm's length negotiations between the parties with reference to the rental rate of similar vehicles in the vicinity.

Historical transaction amount

	Historical transaction amounts (RMB'000) (excluding value added tax) (approximate)			
	For the year ended 31 March 2018	For the year ended 31 March 2019	For the year ended 31 March 2020	For the three months ended 30 June 2020
Vehicle Lease Agreement	–	17	21	6

Proposed annual caps and its basis

	Annual Cap (RMB'000) (excluding value added tax)		
	For the year ending 31 March 2021	For the year ending 31 March 2022	For the year ending 31 March 2023
Vehicle Lease Agreement	100	100	100

In determining the above annual caps, our Directors have considered the historical transaction amount paid by our Group to Beijing Tat Hong pursuant to the Vehicle Lease Agreement and taking into account the future growth and expansion of our Group's business.

CONNECTED TRANSACTIONS

Listing Rules Implications

Each of the applicable percentage ratios (as defined in the Listing Rules) (other than the profits ratio) for the transaction with Beijing Tat Hong for each of the three financial years ending 31 March 2021, 2022 and 2023 is less than 0.1% on an annual basis. Accordingly, the transaction under the Vehicle Lease Agreement fall within the de minimis threshold under Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Should the annual transaction amount exceed the relevant threshold, our Company will comply with the Listing Rules where applicable.

DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, our Group had the following transactions with the connected persons of our Company. These transactions are not expected to continue after Listing.

1. Provision of tower crane solution related services to Fushun Yongmao

During the Track Record Period, our Group provided tower crane solution related services to Fushun Yongmao. During the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, the aggregate amount of the provision of tower crane solution related services was approximately nil, nil, RMB183,000 and nil, respectively. There was no long-term agreement entered into between our Group and Fushun Yongmao with respect to the provision of tower crane solution related services. Instead, Fushun Yongmao placed service orders with our Group at the agreed service fee after arm's length negotiation on a case-by-case basis. The provision of tower crane solution related services are not expected to continue after Listing.

2. Sales of tower cranes to Beijing Tat Hong

During the Track Record Period, Beijing Tat Hong purchased tower cranes from our Group. During the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, the aggregate amount of the purchase was approximately nil, RMB2.4 million, RMB2.7 million and nil, respectively. There was no long-term agreement entered into between our Group and Beijing Tat Hong with respect to the purchase of tower cranes. Instead, Beijing Tat Hong placed purchase orders with our Group at the agreed purchase price agreed after arm's length negotiation on a case-by-case basis. The sales of tower cranes by our Group to Beijing Tat Hong is not expected to continue after Listing.

CONNECTED TRANSACTIONS

3. Purchase and rental of tower cranes and related parts from Beijing Tat Hong

During the Track Record Period, our Group purchased and rent tower cranes and related parts from Beijing Tat Hong. During the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, the aggregate amount of the purchase was approximately RMB0.7 million, RMB2.1 million, RMB13,675 and RMB0.3 million, respectively. On 4 June 2020, Beijing Tat Hong and our Group entered into a sale and purchase agreement pursuant to which our Group agreed to purchase two tower cranes from Beijing Tat Hong at the aggregate consideration of approximately RMB0.3 million, which has been fully paid on 23 June 2020.

There was no long-term agreement entered into between our Group and Beijing Tat Hong with respect to the purchase and rental of tower cranes and related parts. Instead, our Group placed purchase orders with Beijing Tat Hong at the agreed purchase price agreed after arm's length negotiation on a case-by-case basis. The sales and rental of tower cranes and related parts by Beijing Tat Hong to our Group is not expected to continue after Listing.

4. Lease of property from Beijing Yongmao

During the Track Record Period, Beijing Yongmao as lessor and Changzhou Tat Hong, a subsidiary of our Group, as lessee, entered into certain leasing agreements which expired in September 2018. During the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, the aggregate amount of the rental fee was approximately RMB300,000, RMB2,000, nil and nil, respectively. The rental fee was determined after arm's length negotiations between the parties with reference to the rental rate of similar properties in the vicinity. The rental agreement terminated with effect from 30 September 2018, and Beijing Yongmao ceased to lease its office to Changzhou Tat Hong thereafter.

5. Purchase of a tower crane and related parts from PT Tatindo Heavy Equipment (“PT Tatindo”)

PT Tatindo is a company established under the laws of Indonesia on 12 September 2002 and principally engaged in trading of spare parts of core cranes and mobile cranes in Indonesia. It was previously owned as to 95% by Tat Hong International, one of our Controlling Shareholders. In June 2018, Tat Hong International transferred its shareholding interest in PT Tatindo to Tony Investment Pte. Ltd., a company incorporated under the laws of Singapore, which is owned as to 100% by Mr. Ng Sun Ho, one of our Ultimate Controlling Shareholders.

During the Track Record Period, our Group purchased one tower crane and related parts from PT Tatindo. During the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, the aggregate amount of the purchase was approximately RMB1.4 million, nil, nil and nil, respectively. There was no long-term agreement entered into between our Group and PT Tatindo with respect to the purchase of the tower crane and related parts. Instead, our Group placed the purchase order with PT Tatindo at the purchase price agreed after arm's length negotiation. To the best knowledge and belief of our Directors, the sale of a tower crane and related parts is a one-off transaction engaged by PT Tatindo and it had not engaged

CONNECTED TRANSACTIONS

in the trading of tower cranes again. Following the disposal of Tat Hong International's shareholding interest in PT Tatindo, the sales of tower cranes and related parts by PT Tatindo to our Group is not expected to continue after Listing.

INTERNAL CONTROL FOR OUR GROUP'S CONTINUING CONNECTED TRANSACTIONS

The pricing policy for all the aforementioned continuing connected transactions of our Group after Listing will be supervised and monitored by our accounting department and our management team to ensure that such continuing connected transactions are conducted on normal commercial terms and will not be prejudicial to the interests of our Group and our Shareholders as a whole. Our accounting department and our management team will (i) regularly review and assess whether the transactions contemplated under the continuing connected transactions are conducted in accordance with the terms of the relevant agreements; and (ii) regularly update the market price by obtaining quotes from Independent Third Parties for the purpose of considering if the price charged or payable for a transaction is fair and reasonable and in accordance with our pricing policy as well as the terms of the relevant master agreement. Further, our independent non-executive Directors and our auditors will review the continuing connected transactions on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules.

WAIVER SOUGHT AND THE PROPOSED CONDITIONS RELATED THERETO

Given that the Yongmao Master Agreement entered into by our Group under the paragraph headed "Non-exempt continuing connected transactions" in this section above will be carried out on recurring basis after the Listing, our Directors consider that it would be unduly burdensome and impracticable, and would increase the Company's administrative costs if the continuing connected transactions under the Yongmao Master Agreement are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the requirements for publishing an announcement.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules to exempt the transactions under the Yongmao Master Agreement from strict compliance with the relevant announcement, circular and independent shareholders' approval (where applicable) requirements, for up to the year ending 31 March 2023 under the Listing Rules on the conditions set out below:

- (i) the annual cap amounts for the continuing connected transactions under the Yongmao Master Agreement for each of the three years ending 31 March 2021, 2022 and 2023 as stated above will not be exceeded;
- (ii) our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for purpose of the Yongmao Master Agreement including the proposed annual caps set out above. If any of the material terms of such continuing connected transactions is altered and/or if our Group enters into any new continuing connected transactions with the parties of the Yongmao Master Agreement in the future which

CONNECTED TRANSACTIONS

result in the aggregate annual consideration paid or payable by or to our Group in any of the three years ending 31 March 2021, 2022 and 2023 exceeding any of the proposed annual caps set out above, our Company will issue an announcement, circular and seek independent shareholders' approval (as the case may be) regarding this alteration and/or the new cap for compliance with the applicable requirements under Chapter 14A of the Listing Rules;

- (iii) upon expiry of the waiver granted for the period ending 31 March 2023, our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules; and
- (iv) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable provisions under Chapter 14A of the Listing Rules as at the date of this prospectus relating to the continuing connected transactions, our Company will take appropriate steps to ensure compliance with such requirements within a reasonable period of time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) confirmed that the continuing connected transactions under the Trademark License Agreement, Yongmao Master Agreement and Vehicle Lease Agreement (collectively as “**Agreements**”) as described above have been entered into in the ordinary and usual course of business of the Group and have been based on arm's length negotiations and on normal commercial terms or better, that are fair and reasonable, and the respective terms of the Agreements and the annual caps as mentioned above are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

After discussions with our management on the proposed annual caps and reasons for entering into the non-exempt continuing connected transactions described above, the Sole Sponsor is of the view that the transactions contemplated under the Yongmao Master Agreement (i) have been entered into in the ordinary and usual course of business of our Group; (ii) are on normal commercial terms or better and are fair and reasonable and in the interests of our Group and our Shareholders as a whole; and (iii) the annual caps for the continuing connected transactions under the Yongmao Master Agreement are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors consists of eight Directors, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Board of Directors is responsible for and has general powers for the management and conduct of our business. Our senior management is responsible for the day-to-day management of our business. The following table sets out certain information concerning our Directors:

Members of our Board

Name	Age	Position	Date of Appointment/ Re-designation	Date of joining our Group	Role and Responsibilities	Relationships amongst Directors and senior management
Mr. Yau Kok San (邱國樂)	58	Executive Director and chief executive officer	28 November 2019	June 2007	Responsible for overseeing the operation of our management team and formulating business strategy and corporate development strategy	N/A
Mr. Lin Han-wei (林翰威)	57	Executive Director and chief operating officer	28 November 2019	July 2009	Responsible for the establishment and optimisation of our day-to-day operations, in particular, overseeing the operational processes, resources allocation and cross-departmental cooperation	N/A
Mr. Ng San Tiong (黃山忠)	68	Non-executive Director and chairman of our Board	28 November 2019	April 2006	Responsible for providing strategic advice to our Group, developing and implementing business strategy; monitoring the performance of our senior management team, especially with regard to the progress made towards achieving our business strategy and objective; serving as the chairman of the Nomination Committee	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment/ Re-designation	Date of joining our Group	Role and Responsibilities	Relationships amongst Directors and senior management
Mr. Sun Zhaolin (孫兆林)	64	Non-executive Director	28 November 2019	April 2006	Responsible for providing strategic advice to our Group, developing and implementing business strategy	N/A
Mr. Chen Baozhi (陳寶智)	53	Non-executive Director	28 November 2019	July 2017	Responsible for providing strategic advice to our Group, developing and implementing business strategy	N/A
Ms. Pan I-Shan (潘宜珊)	43	Independent non-executive Director	15 December 2020	15 December 2020	Responsible for providing independent advice to the Board, advising on corporate accounting and financial matters, serving as the chairlady of the Audit Committee and a member of the Remuneration Committee	N/A
Mr. Wan Kum Tho (尹金濤)	54	Independent non-executive Director	15 December 2020	15 December 2020	Responsible for providing independent advice to the Board, advising on corporate governance matters, serving as the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nomination Committee	N/A

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of Appointment/ Re-designation	Date of joining our Group	Role and Responsibilities	Relationships amongst Directors and senior management
Dr. Huang Chao-Jen (黃兆仁)	57	Independent non-executive Director	15 December 2020	15 December 2020	Responsible for providing independent advice to the Board, advising on business and investment matters, serving as a member of the Audit Committee, Remuneration Committee and the Nomination Committee	N/A

Executive Directors

Mr. YAU Kok San (邱國樂), aged 58, is our executive Director and chief executive officer. He is primarily responsible for devising overall business development strategies and overseeing the day-to-day management and operations of our Group. During the Track Record Period and up to the Latest Practicable Date, Mr. Sean Yau has served as a director for all subsidiaries of our Group.

Mr. Sean Yau has more than 13 years of experience in the tower crane solution service industry and has been operating the business of the Group since June 2007. Prior to joining our Group, he has over 20 years of experience in the areas of engineering, corporate finance and venture capitalism. He began his career by joining Chartered Industries of Singapore Pte. Ltd. in 1988 and left as a principal engineer in 1996. Subsequently, he was employed by Vertex Management (II) Pte. Ltd., a venture capital company based in Singapore, from 1996 to 2000, responsible for managing investment portfolios for various Chinese companies and left as an investment manager. From 2000 to 2003, Mr. Sean Yau joined AdXplorer Pte. Ltd., serving as senior vice president as his last position and was responsible for devising company strategies in raising venture capitals for client companies across business platform. Thereafter from 2003 to 2007, Mr. Sean Yau operated his own business specialising in corporate finance and consultancy services for small-sized companies. During the Track Record Period, he served at Tat Hong China, one of our Controlling Shareholders, as chief executive officer, China. He has tendered his resignation to Tat Hong China, which had taken effect as at the Latest Practicable Date. For further details, please refer to “Relationship with Controlling Shareholders – Management independence”.

Mr. Sean Yau obtained a technician diploma in mechanical engineering from Singapore Polytechnic in April 1982 and a bachelor’s degree of engineering (mechanical) (1st Class Honours) from the National University of Singapore in June 1987. He also obtained a master’s degree of business administration from National University of Singapore in July 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sean Yau was involved in the dissolution of the following companies:

Company	Place of incorporation	Nature of business	Means of dissolution	Capacity	Date of dissolution
D G AD (Sea) Pte. Ltd.	Singapore	management consultancy and advertising	creditors' voluntary winding-up	director	9 February 2010
Shanghai Tat Hong Putuo Branch Company* (上海達豐機械租賃有限公司普陀分公司)	PRC	provision of tower crane services	voluntary deregistration	person-in-charge	31 July 2015
Tat Hong Zhaomao Putuo Branch Company* (達豐兆茂投資有限公司上海普陀分公司)	PRC	investment and provision of construction machinery	voluntary deregistration	person-in-charge	2 August 2016

Mr. Sean Yau confirmed that there was no wrongful act on his part leading to the dissolution of the companies above, and there is no, nor is he aware of any, actual or potential claim that has been or will be made against him as a result of the dissolution of the companies.

Mr. LIN Han-wei (林翰威), aged 57, is our executive Director and chief operating officer. He is primarily responsible for the establishment and optimisation of our day-to-day operations, in particular, overseeing the operational processes, resources allocation and cross-departmental cooperation. Mr. Henry Lin joined our Group in July 2009 as chief operating officer. During the Track Record Period and up to the Latest Practicable Date, Mr. Henry Lin has served as a director for six subsidiaries of our Group, namely Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Chongqing Tat Hong, Ronghe Tat Hong and Tat Hong Belt Road.

Mr. Henry Lin has more than 22 years in corporate management and operations. Since 1997, he worked at Goyoyo Information Ltd. (悠游訊息有限公司) and left his position as the chief executive officer. He was responsible for devising business development plans, and raising fund for the operation of the company. In June 2003, he joined QilinSoft (China) Ltd. (麒麟遠創(中國)有限公司) (“**QilinSoft**”), responsible for a number of managerial duties including team building and business operation, and left in June 2008 as vice president and general manager of Beijing R&D centre. During the Track Record Period, he served at Tat Hong China, one of our Controlling Shareholders, as assistant general manager (seconded to Shanghai Tat Hong). He has tendered his resignation to Tat Hong China, which had taken effect as at the Latest Practicable Date. For further details, please refer to “Relationship with Controlling Shareholders – Management independence”.

Mr. Henry Lin obtained a master's degree of laws from the University of Pennsylvania in United States in 1990.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Henry Lin was the person in charge of the following branch companies, which were established in the PRC, immediately before their deregistration:

Company	Nature of business	Means of dissolution	Date of dissolution
Shanghai Tat Hong Jiangsu Branch Company* (上海達豐 機械租賃有限公司江 蘇分公司)	provision of tower crane services	deregistration	29 October 2018
Beijing Tat Hong Kunshan Branch Company* (北京達豐 兆茂機械租賃有限公 司昆山分公司)	rental of tower cranes	deregistration	19 August 2013

Each of the above branch companies was voluntarily deregistered. Mr. Henry Lin confirmed that there was no wrongful act on his part leading to the deregistration of the branch companies above, which were solvent immediately prior to their deregistration, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of the companies.

In September 2018, Mr. Henry Lin, being the legal representative of Zhongjian Tat Hong at the material time, was fined by Kunshan City Work Safety Supervision Bureau* (昆山市安全生產監督管理局) for RMB52,803 as a result of a work accident involving Zhongjian Tat Hong in January 2018. As advised by our PRC Legal Advisers, the said sum of RMB52,803 has been fully settled. For further information about the accident, please refer to the section headed “Business – Health and safety control” in this prospectus.

Non-executive Directors

Mr. NG San Tiong (黃山忠), aged 68, is one of our Controlling Shareholders and a non-executive Director and chairman of our Board. He is also the chairman of the Nomination Committee. He is responsible for providing strategic advice to our Group, and developing and implementing business strategy; monitoring the performance of our senior management team, especially with regard to the progress made towards achieving our business strategy and objectives from time to time. During the Track Record Period and up to the Latest Practicable Date, Mr. Ng has served as a director for seven subsidiaries of our Group, namely Changzhou Tat Hong, Huaxing Tat Hong, Jiangsu Hengxingmao, Shanghai Tat Hong, Tat Hong Zhaomao, Zhongjian Tat Hong and Tat Hong Belt Road.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng has more than 43 years of experience in the engineering and tower crane solution service industry in Singapore. In 1976, he joined JTC Corporation (formerly known as Jurong Town Corporation) (“**JTC**”), a Singapore government agency responsible for the development of industrial infrastructure, as a civil engineer. After leaving his employ in JTC in 1978, Mr. Ng jointly founded Tat Hong Holdings Ltd, one of our Controlling Shareholders, in January 1979 and has been the Managing Director and Group Chief Executive Officer of the company since October 1991. He also currently serves as a director of Dayang (Shanghai) Commercial Consultancy Company Limited* (達陽(上海)商務諮詢有限公司) and a supervisor of Poxue (Shanghai) Management Consultancy Company Limited* (珀學(上海)管理諮詢有限公司).

Mr. Ng is currently the deputy chairman and a non-executive director of Yongmao, a company listed on the Main Board of SGX (stock code: BKX) which principally engages in manufacture of tower cranes since June 2007, and an alternate director of Intraco Limited, a company listed on the Main Board of SGX (stock code: I06) which principally engages in trading and investment management since April 2015.

Apart from his position in our Group, Mr. Ng is also a director of several companies under the Private Group, including Tat Hong Heavy Equipment (Pte.) Ltd., Tat Hong Plant Leasing Pte. Ltd., Leadpoint Pte. Ltd., Tutt Bryant Group Limited, Tutt Bryant Hire Pty. Ltd., BT Equipment Pty. Ltd., Tat Hong Plant Hire Sdn. Bhd., THAB Development Sdn. Bhd., THAB PTP Sdn. Bhd. and Tat Hong Heavy Equipment (Hong Kong) Limited.

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

Mr. Ng obtained a bachelor’s degree of science (honours) from Loughborough University of Technology in July 1976.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng was a director of the following companies, which were incorporated in Singapore, immediately before their dissolution:

Company	Nature of business	Means of dissolution	Date of dissolution
Enviro-Energy (S) Pte. Ltd.	holding company	members' voluntary winding up	10 October 2015
GBC Pte. Ltd.	investment holding and property investment	members' voluntary winding up	31 March 2019
Indtrade.com Pte. Ltd.	business support services	voluntary striking off ^(Note)	25 May 2005
J Chanel Enterprise Pte. Ltd.	wholesale trading	voluntary striking off ^(Note)	17 December 2013
Label-Tech (S) Pte. Ltd.	rental of properties	members' voluntary winding up	31 March 2019
PNP Investments Pte. Ltd.	holding and investment company	voluntary striking off ^(Note)	19 January 2006
Poh Seng Housing Developers (Pte.) Ltd.	real estate developer	members' voluntary winding up	6 January 2007
R.A.C.Car Rental Pte. Ltd.	private car rental	voluntary striking off ^(Note)	25 February 2005
Tat Hong-Comedil (Pte.) Ltd.	wholesale and rental of industrial machinery and equipment	voluntary striking off ^(Note)	14 October 2005
Tat Hong Crane Hire Pte. Ltd.	rental and trading of heavy equipment	voluntary striking off ^(Note)	10 December 2015
Tat Hong Energy Pte. Ltd.	rental of industrial machinery and equipment	members' voluntary winding up	22 August 2019
Tropical Industrial Building Pte. Ltd.	rental of properties	members' voluntary winding up	14 December 2018

Note: Mr. Ng confirmed that each of these companies no longer served any purpose nor had any operation before their dissolution. Therefore, Mr. Ng did not actively take part in maintaining each of them. As each of these companies was not in operation, they were struck off voluntarily.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng confirmed that there was no wrongful act on his part leading to the dissolution of the companies above, which were solvent immediately prior to dissolution, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of these companies.

Mr. SUN Zhaolin (孫兆林), aged 64, is our non-executive Director. He is responsible for providing strategic advice to our Group, developing and implementing business strategy. During the Track Record Period and up to the Latest Practicable Date, Mr. Sun has served as a director for six subsidiaries of our Group, namely Tat Hong Zhaomao, Huaxing Tat Hong, Shanghai Tat Hong, Zhongjian Tat Hong, Jiangsu Hengxingmao and Changzhou Tat Hong.

Mr. Sun has more than 23 years of experience in the field of construction machinery manufacturing. He has founded and led various companies in the crane manufacturing industry. Mr. Sun is the chairman and executive director of Yongmao, a company listed on the Main Board of SGX (stock code: BKK) since February 2008. He has been a director of various companies, including Fushun Yongmao Engineering Machinery Co., Ltd.* (撫順永茂工程機械有限公司) since 1996; Fushun Yongmao Industry and Trade Co., Ltd.* (撫順市永茂工貿發展有限公司) since 1997; Fushun Yongmao Industry Group Co., Ltd.* (撫順永茂實業集團有限公司) since 1997; and Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd.* (北京永茂建工機械製造有限公司) since June 2006.

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

Mr. Sun was the chairman of the board of the following company, which was established under the laws of the PRC, before its deregistration:

Company	Nature of business	Means of dissolution	Date of deregistration
Fushun Yongmao Concrete Machinery Co. Ltd.* (撫順永茂混凝土機械有限公司)	manufacture and trading of construction machinery	deregistration	4 February 2013

DIRECTORS AND SENIOR MANAGEMENT

Fushun Yongmao Concrete Machinery Co. Ltd.* (撫順永茂混凝土機械有限公司) was voluntarily deregistered as it no longer had any business or operation before its deregistration. Mr. Sun confirmed that there was no wrongful act on his part leading to the deregistration of the company, which was solvent immediately prior to its deregistration, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of the company.

Mr. CHEN Baozhi (陳寶智), aged 53, is our non-executive Director. He is responsible for providing strategic advice to our Group, and developing and implementing business strategy.

Mr. Chen has more than 29 years of experience in the nuclear construction and engineering industry in the PRC. In July 1991, he joined China Nuclear Industry as a trainee. After completing his traineeship in January 1992, he was subsequently promoted as an assistant engineer in August 1992, and has served in various managerial positions across departments, including the project quality assurance department, quality and safety department and planning and operation department. From March 2005 to March 2006, he served as the officer of the planning and operation department and the reform office, and secretary to the board of directors. From March 2006 to January 2009, he was the assistant to general manager. He was the deputy general manager and general manager of the nuclear power affairs department from January 2009 to November 2013. He was then promoted to the position of general manager of China Nuclear Industry in November 2013, and was subsequently appointed as chairman of the board of directors of China Nuclear Industry in October 2016 and has served in the position since then. In addition to his positions in China Nuclear Industry, Mr. Chen has also served as chairman of the board of directors of China Nuclear Huawei Engineering Design Research Company Limited* (中核華緯工程設計研究有限公司) since May 2014. Since June 2017, Mr. Chen has also served as deputy general manager and general manager of Investment Affairs Department at China Nuclear Industry Construction Corporation Limited* (中國核工業建設股份有限公司).

Mr. Chen obtained a bachelor's degree in architectural engineering from Nanjing Institute of Architectural Engineering* (南京建築工程學院) in July 1991 and a master's degree of business administration from the Nanjing University of Science and Technology in January 2007.

Independent non-executive Directors

Ms. PAN I-Shan (潘宜珊), aged 43, is our independent non-executive Director. She also serves as the Chairlady of the Audit Committee and a member of the Remuneration Committee. She is responsible for providing independent advice to the Board and advising on corporate accounting and financial matters.

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

DIRECTORS AND SENIOR MANAGEMENT

Ms. Pan has more than 21 years of experience in audit and accounting. She was a senior auditor at PricewaterhouseCoopers Taiwan from September 1999 to February 2004 and was promoted to manager from August 2006 to August 2008, where she had gained experience and knowledge in business audit services. Subsequently from November 2009 to November 2011, Ms. Pan worked in KEDP CPAs Firm (Taiwan) as a certified public accountant, where she was responsible for business audit services and advising foreign enterprises and individuals on the setting-up and registration of bookkeeping system. From August 2012 to July 2013, Ms. Pan joined Ching Kuo Institute of Management and Health as adjunct lecturer in accounting courses, and served as a chief accounting officer in the said institute from August 2012 to December 2013. At present, Ms. Pan is a partner of Onething CPAs Firm in Taipei which she founded in January 2015. Her practices include accounting advisory in relation to corporate finance, financial and general management between Taiwan and the PRC, business audit services, setting-up and registration of bookkeeping system, and other bookkeeping and consultation services.

Ms. Pan obtained a bachelor's degree in accounting from Chung Yuan Christian University in Taiwan in June 1998 and a master's degree of business administration in accounting from Fu Jen Catholic University in Taiwan in June 2006.

Mr. WAN Kum Tho (尹金濤), aged 54, is our independent non-executive Director. He also serves as the chairman of the Remuneration Committee, and a member of the Audit Committee and Nomination Committee. He is responsible for providing independent advice to the Board and advising on corporate governance matters.

Mr. Wan has more than 24 years of experience in the venture capital and private equity investment industry. From March 1996 to December 2004, he worked at Vertex Management (II) Pte. Ltd., a Singapore-headquartered venture capital company as an investment manager and served his last position as vice president. During his time with the company, he worked in offices in Singapore and the United States, primarily responsible for sourcing, evaluating and negotiating investment opportunities, analysing, monitoring and exiting from various portfolio companies, advising portfolio companies on development of business strategies, etc. He also helped to establish the company's activities in Israel. From January 2005 to May 2008, he worked at EEMS Asia Pte. Ltd. as vice president of finance and administration. He participated in strategic deliberations of the company and was responsible for all strategic decisions for the financial operation in Singapore and the overall operation of the company. Mr. Wan rejoined EEMS Asia Pte. Ltd. as Vice President of Strategic Planning and Administration from March 2009 to June 2010, during which he was in charge of rescheduling debt of the Asian operation, cost controlling, fund raising and negotiating management incentive structure with private equity investors in leading the effort for management buy-out attempts. From July 2010 to March 2014, Mr. Wan was a management committee member and an executive director (investment) of UOB Venture Management Pte. Ltd., responsible for scrutinising all investment recommendations. Mr. Wan joined Heliconia Capital Management Pte. Ltd. in April 2014 and left in December 2019 from his last position as Managing Director of Value Creation. He is currently an independent non-executive director of D'nonce Technology Bhd, a company listed on the Main Market of Bursa Malaysia Securities Berhad (stock code: DNONCE) which principally engages in supply chain management and plastic products manufacture, etc, since January 2020. He is also Adjunct Senior Lecturer at National University of Singapore Business School since July 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wan obtained a bachelor's degree of business administration from National University of Singapore in July 1990. He completed Berkeley Executive Program held by University of California, Berkeley in the U.S. in June 2002.

Dr. HUANG Chao-Jen (黃兆仁), aged 57, is our independent non-executive Director. He also serves as a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is responsible for providing independent advice to the Board and advising on business and investment matters.

Dr. Huang has more than 29 years of experience in international political economy, international business and relations, and foreign direct investment. From January 1991 to July 1992, Dr. Huang served as senior staff at the Ministry of Foreign Affairs of Taiwan, where he was responsible for Taiwan-United States diplomatic and business exchanges, and economic and trade negotiations and affairs. From July 1998 to January 2005, Dr. Huang worked as an associate research fellow at the Taiwan Institute of Economic Research, in charge of Taiwan free trade agreement study, national southbound policy and establishing regular economic forums between Taiwan and other nations. In February 2005, he became deputy director of the institute, primarily responsible for Taiwan free trade agreement study, national southbound policy, cross-strait economic cooperation and Taiwan-Central America comprehensive economic cooperation. Dr. Huang was later in January 2008 promoted to director general of the institute and continued to promote economic affairs and cooperation for public and private sectors until he left his position in December 2011 and served as a research fellow from January 2012 to February 2012, focusing on study of new economic issues relating to regional and global concerns. Since July 2013, Dr. Huang has been the director general and distinguished research fellow of Commerce Development Research Institute in Taiwan, providing policy and strategic advices and reports to government authorities covering economic and commercial issues.

Dr. Huang obtained a bachelor's degree of arts in diplomacy in July 1986 and a master's degree of arts in international law and diplomacy in June 1991, both from National Chengchi University in Taiwan. In July 1998, he obtained a doctor's degree of philosophy in politics from University of York in the United Kingdom.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this section and the section headed "Relationship with Controlling Shareholders" in this prospectus, each of our Directors confirmed that as at the Latest Practicable Date, he/she (i) did not hold other positions in our Company or other members of our Group; (ii) did not have any other relationship with any Directors, senior management, substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets out certain information concerning our senior management:

Name	Age	Position	Date of joining our Group	Role and Responsibilities	Relationships amongst Directors and senior management
Ms. Wang Dandan (王丹丹)	40	Chief financial officer and senior deputy general manager of our Group, and financial controller of our Company	June 2009	Responsible for supervising our Group's finance activities, budgeting and forecasting, including all financial, treasury and taxation matters of our Group	N/A
Mr. Duan Wenxuan (段文軒)	47	Senior vice president of our Group, and general manager of Zhongjian Tat Hong	July 2007	Responsible for overseeing the day-to-day business operation of our Group and Zhongjian Tat Hong	N/A
Mr. Zhu Hui (朱輝)	54	Senior vice president of our Group, and general manager of Huaxing Tat Hong	July 2007	Responsible for overseeing the day-to-day business operation of our Group and Huaxing Tat Hong	N/A
Mr. Shen Shiping (沈世平)	61	Chief engineer of our Group, and general manager of Changzhou Tat Hong	January 2010	Responsible for overseeing our Group's tower crane service projects	N/A
Mr. Shi Jun (仕軍)	47	Head of research and development of our Group, and general manager of Ronghe Tat Hong	June 2007	Responsible for overseeing the research and development of our Group and the day-to-day business operation of Ronghe Tat Hong	N/A

DIRECTORS AND SENIOR MANAGEMENT

Ms. WANG Dandan (王丹丹), aged 40, is the chief financial officer and senior deputy general manager of our Group, and the financial controller of our Company. She is primarily responsible for supervising our Group's finance activities, budgeting and forecasting, including all financial, treasury and taxation matters as well as financial planning, internal control and financial reporting of our Group. Ms. Wang joined our Group in June 2009 and is currently our financial controller. During the Track Record Period and up to the Latest Practicable Date, Ms. Wang is the director of Huaxing Tat Hong, an operating subsidiary of our Group, and a supervisor of Ronghe Tat Hong and Chongqing Tat Hong, both an indirect wholly-owned subsidiary of our Company.

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

Ms. Wang has more than 15 years of experience in the fields of audit, accounting and finance. Prior to joining our Group, she worked at Audit Alliance, a firm of certified public accountants in Singapore, from November 2005 to June 2009, where she initially served as audit assistant and served in her last position as assistant manager in the audit & business advisory services division. From June 2009 to December 2019, she served at Tat Hong China, one of our Controlling Shareholders, as finance manager (seconded to Shanghai Tat Hong). In June 2009, Ms. Wang joined our Group, primarily responsible for developing and maintaining policies and procedures related to the accounting function, including appropriate internal controls, as well as recruiting and training accounting staff in the department.

Ms. Wang obtained a bachelor's degree of science (honours) in applied accounting from Oxford Brookes University in the United Kingdom in September 2012.

Mr. DUAN Wenxuan (段文軒), aged 47, is the senior vice president of our Group and general manager of Zhongjian Tat Hong, a subsidiary of our Group. He joined our Group in July 2007. Mr. Duan is primarily responsible for overseeing the day-to-day business operation and management of our Group and Zhongjian Tat Hong. During the Track Record Period and up to the Latest Practicable Date, Mr. Duan is the director for four subsidiaries of our Group, namely Changzhou Tat Hong, Chongqing Tat Hong, Ronghe Tat Hong and Zhongjian Tat Hong.

Mr. Duan has over 13 years of experience in the construction machinery rental services industry in the PRC. Since January 2007, Mr. Duan joined Jiangsu Zhongjian Tat Hong Machinery Rental Co., Ltd* (江蘇中建達豐機械租賃有限公司), which was later renamed as Zhongjian Tat Hong, responsible for overseeing the daily operation and management, and implementing the decisions and plans of the company. He is now the general manager of Zhongjian Tat Hong.

In January 2012, Mr. Duan was named Outstanding Entrepreneur of the Year 2011* (2011年度優秀企業家) by Jintan District People's Government* (金壇市人民政府). In December 2012, he was appointed executive vice president of the 2nd Council of the Jiangsu Construction Industry Association in Beijing* (北京江蘇建築商會第二屆理事會常務副會長). In January 2013 and January 2016, he was named Lifting and Demolition Construction Expert* (吊裝及

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

Mr. Duan obtained a bachelor's degree in mining machinery from Northeastern University in China in July 1996.

Mr. ZHU Hui (朱輝), aged 54, is the senior vice president of our Group and general manager of Huaxing Tat Hong, one of the operating subsidiaries of our Group. He joined our Group in July 2007 and was appointed as the general manager of Huaxing Tat Hong, our Group's subsidiary in April 2015. Mr. Zhu is primarily responsible for overseeing the daily business operation and management of our Group and Huaxing Tat Hong. During the Track Record Period and up to the Latest Practicable Date, Mr. Zhu is the director of three subsidiaries of our Group, namely Huaxing Tat Hong, Chongqing Tat Hong and Ronghe Tat Hong.

Mr. Zhu has over 33 years of experience in the construction industry. From December 1986 to March 2001, he joined the China Nuclear Industry, one of our Company's shareholders, as a construction staff, and has subsequently serve as a worker, deputy head and head of department in the material division. He then joined China Nuclear Industry Group Huaxing Construction Company* (中國核工業集團華興建設公司) as a manager between March 2001 to September 2002. In September 2002, Mr. Zhu joined Jiangsu China Nuclear Huaxing Machinery Construction Co., Ltd* (江蘇中核華興建築機械施工有限公司), which was later renamed as Huaxing Tat Hong, as the assistant to general manager and manager of the Shanghai branch office. In September 2007, he was promoted to deputy general manager and was further promoted to general manager in April 2015.

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

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Mr. SHEN Shiping (沈世平), aged 61, is the chief engineer of our Group and general manager of Changzhou Tat Hong, an operating subsidiary of our Group. He joined our Group in January 2010 and is currently the general manager of Changzhou Tat Hong, our Group's subsidiary. Mr. Shen is primarily responsible for overseeing different phases of our Group's tower crane service projects, including but not limited to installation, equipment maintenance or project development. During the Track Record Period and up to the Latest Practicable Date, Mr. Shen is the director of three subsidiaries of our Group, namely Changzhou Tat Hong, Chongqing Tat Hong and Ronghe Tat Hong.

Mr. Shen has over 21 years of experience in technical supervision, product development and project management in the construction industry and property development sector in the PRC. In December 1998, he ventured into property development sector in the PRC and joined Guangzhou Xihua Industrial Development Company Limited* (廣州市錫華實業發展有限公司) as deputy general manager, responsible for the overall development, construction and designs of commercial and residential properties. From January 2009 to January 2010, he joined Guangzhou Saiwate Power Technology Co. Ltd.* (廣州市賽瓦特動力科技有限公司) as deputy general manager, responsible for supervising and overseeing the day-to-day business operation of the company.

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

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

Mr. SHI Jun (仕軍), aged 47, is the head of research and development of our Group and general manager of Ronghe Tat Hong, one of the operating subsidiaries of our Group. He joined our Group in June 2007 and was appointed as the general manager of Ronghe Tat Hong in August 2019. Mr. Shi is primarily responsible for overseeing the research and development of our Group and the daily business operation and management of Ronghe Tat Hong.

Mr. Shi has over 26 years of experience in construction engineering and machinery industry. In July 1994, he joined China Nuclear Industry, one of our Shareholders, as a machinery repair technician and later became a nuclear power station project technician in September 1997. In July 2000, he worked in China Nuclear Industry Group Huaxing Construction Company* (中國核工業集團華興建設公司) as a manager of the technical safety

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department. In June 2004, Mr. Shi joined Jiangsu China Nuclear Huaxing Machinery Construction Co., Ltd* (江蘇中核華興建築機械施工有限公司), which was later renamed as Huaxing Tat Hong, as a manager. In June 2007, he was promoted and worked as the vice general manager of Huaxing Tat Hong until he became the general manager of Ronghe Tat Hong in August 2019.

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

Save as disclosed above, none of our senior management had any directorships in any publicly listed company over the past three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Ms. YEUNG Ching Man (楊靜文), aged 36, our company secretary, was appointed in November 2019. She currently serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited (“SWCS”), where she is responsible for managing the company secretarial and compliance work for listed clients of SWCS. Prior to joining SWCS, Ms. Yeung worked in KPMG from July 2006 to September 2010, and left the firm as an assistant manager. She later worked in Hong Kong Exchanges and Clearing Limited, a company listed on the Main Board of the Stock Exchange (stock code: 388), from September 2010 to June 2018, with her last position being assistant vice president in the Listed Issuer Regulation, Listing & Regulatory Affairs Division.

Ms. Yeung has been a member of the Hong Kong Institute of Certified Public Accountants since September 2009 and a member of the Chartered Governance Institute in the United Kingdom and the Hong Kong Institute of Chartered Secretaries since November 2020.

Ms. Yeung obtained a bachelor’s degree of business administration from the Chinese University of Hong Kong in December 2006, and a master’s degree of laws in corporate and financial law from the University of Hong Kong in December 2014 and a master’s degree in corporate governance from the Open University of Hong Kong in August 2020.

COMPLIANCE ADVISER

We have appointed Fortune Financial Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will advise us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Group under the Listing Rules regarding unusual movements in the price or trading volume of the Shares.

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Audit Committee

Our Company has established the Audit Committee on 15 December 2020 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code in Appendix 14 to the Listing Rules (the “**Corporate Governance Code**”). The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Ms. Pan, Mr. Wan and Dr. Huang. Ms. Pan is the chairlady of the Audit Committee.

Remuneration Committee

Our Company has established the Remuneration Committee on 15 December 2020 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises three members, namely Mr. Wan, Ms. Pan and Dr. Huang. Mr. Wan is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and on our Group’s policy and structure for all remuneration of our Directors and senior management.

Nomination Committee

Our Company has established the Nomination Committee on 15 December 2020 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Ng, Mr. Wan and Dr. Huang. Mr. Ng is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on appointment of Directors and succession planning for our Directors.

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BOARD DIVERSITY POLICY

We will adopt a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises eight Directors, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experience, knowledge and skills, including in the fields of tower crane solution services, construction machinery manufacturing, engineering, corporate finance, venture capital, corporate management and operations, audit and accounting, international political economy and international business and relations. The ages of our Directors range from 43 years old to 67 years old. Currently, one of our Directors is female. While we recognise that gender diversity at our Board level can be improved given that the majority of our Directors are male, we will continue to apply the principle of appointments based on merits and contribution with reference to our board diversity policy as a whole.

Upon Listing, we will continue to promote gender diversity and develop a pipeline of potential female successors to our Board. We target to recruit (or internally promote) at least one additional female to our Board within five years after Listing. The decision will be based on merit and contribution that the selected candidates will bring to our Board. Furthermore, with the aim of ensuring a pipeline of potential female successors to our Board, we will give preference to female candidates on the succession planning of Directors. We are committed to ensuring that there is gender diversity in staff recruitment and promotion at the mid to senior levels. We will endeavour to provide career development opportunities to female staff, and more resources will be devoted to training female staff who have extensive and relevant experience in our business and who we deem to be suitable candidates for directorship.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code. Our Company's corporate governance practices have complied with the Corporate Governance Code.

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REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of compensation (including wages, salaries and bonuses) to our Directors and senior management incurred by our Group for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 were approximately RMB5.8 million, RMB6.5 million, RMB6.3 million and RMB2.1 million, respectively.

The aggregate remuneration (including wages, salaries and bonuses) paid to our Group's five highest paid individuals (excluding our Directors) for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 were as follows:

	Year ended 31 March			Three months
	2018	2019	2020	ended 30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Wages, salaries and bonuses	5,038	5,955	5,731	806
Pension costs – defined contribution plans	200	175	184	–
Other social security and housing fund	247	221	292	47
Other employee benefits . . .	720	690	365	31

During the Track Record Period, no emolument was paid by our Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to any of the Directors. For additional information on Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to Note 13 in the Accountant's Report set out in Appendix I to this prospectus.

An aggregate sum of approximately RMB3.4 million is expected to be paid to our Directors as annual Directors' remuneration by our Group for the year ending 31 March 2021 under the arrangements in force at the date of this prospectus excluding discretionary bonus.

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

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Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

STAFF RELATIONS

Our Group recognises the importance of a good relationship with the employees. The remuneration payable to the employees includes basic salaries, allowances, commission, pension and/or bonus. The ability to recruit and retain experienced and skilled labour is crucial to the growth and development of our Group. In addition to providing the staff the opportunities to receive regular on-the-job trainings, our Group strives to create a harmonious and caring working environment for our staff.

Our Group has not experienced any significant problems with our employees save as those arising from ordinary course of business or disruption to the operations due to labour disputes, nor has our Group experienced any difficulties in the recruitment and retention of staff.

Please refer to the section headed “Business – Employees” of this prospectus for further details relating to the number of staff, staff benefits, training and recruitment policy of our Group.

DISCLOSURE UNDER RULE 8.10(2) OF THE LISTING RULES

Apart from the businesses of our Group, Mr. Ng and Mr. Sun, our non-executive Directors, are currently interested in Yongmao Group. Mr. Ng is the deputy chairman and non-executive director of Yongmao, and together with other members of Chwee Cheng Controlling Shareholder Group, indirectly holds approximately 24.0% shareholding interest in Yongmao Group through Tat Hong Holdings^(Note 1). Mr. Sun is the chairman and executive director of Yongmao, and together with his family members indirectly holds approximately 57.4% shareholding interest of Yongmao Group through Sun & Tian Investment Pte. Ltd.^(Note 2).

Note 1: Tat Hong Holdings is wholly owned by THSC Investments, which is owned as to approximately 70.8% by TH60 Investments, which is in turn wholly owned by Chwee Cheng & Sons.

Note 2: Sun & Tian Investment Pte. Ltd. is wholly owned by Mr. Sun and his family members.

DIRECTORS AND SENIOR MANAGEMENT

Yongmao is a public company listed on the Main Board of SGX (SGX: BKK). Yongmao Group principally engages in the design, development, manufacture and sales and leasing of wide range of tower cranes, components and accessories in America, Europe, Africa, Middle East, Asia and Oceania. Its products are sold mainly to construction equipment distributors and equipment rental companies in overseas markets and to construction companies and equipment rental companies in the PRC.

Yongmao Group engages predominantly in the design, development and manufacture of tower cranes and related parts and components, but it provides some dry lease and servicing of tower crane components and accessories in the PRC, Hong Kong and other countries and regions, as ancillary to its principal business. As disclosed in the audited financial statements of Yongmao Group, for the three financial years ended 31 March 2018, 2019 and 2020: (i) its total revenue amounted to approximately RMB653.5 million, RMB885.4 million and RMB962.4 million, respectively; (ii) its income generated from dry lease of tower cranes, tower crane components and accessories amounted to approximately RMB92.6 million, RMB84.3 million and RMB96.4 million, respectively; and (iii) its income generated from servicing (including maintenance, installation, erection and dismantlement) of tower cranes, tower crane components and accessories amounted to approximately RMB64.5 million, RMB52.4 million and RMB42.9 million, respectively. Of its income, for the three financial years ended 31 March 2018, 2019 and 2020, the income generated from dry lease and relevant servicing of tower cranes, tower crane components and accessories in the PRC amounted to approximately RMB47.9 million, RMB37.3 million and RMB34.9 million, respectively, representing approximately 7.33%, 4.22% and 3.63% of its total revenue for the same periods, respectively.

Notwithstanding Mr. Ng's and Mr. Sun's interest in Yongmao and the fact that our Group and Yongmao Group are in the same industry, our Group believes that (i) Yongmao Group does not constitute a business that would actually compete with our Group's business; (ii) our Group is capable of carrying on its business at arm's length with Yongmao; and (iii) Mr. Ng and Mr. Sun are capable of avoiding any actual and potential conflicts of interest due to the following reasons:—

- (a) the businesses of each of our Company and Yongmao Group, which are of significantly different focus, can be clearly distinguished. While Yongmao Group engages predominantly in the upstream of the tower crane service industry including design, development and manufacture of tower cranes, tower crane components and accessories, our Group primarily engages in provision of downstream one-stop solution services ranging from consultation, technical design, commissioning, construction to after-sales services. For further details about our business focus, please refer to the section headed "Business" in this prospectus. In light of the different business focuses and nature, our Director believe the business of Yongmao Group is clearly distinguished from that of our Group;

Yongmao, through its subsidiary in Hong Kong, provides tower crane rental business in Hong Kong where our Group has no business presence;

DIRECTORS AND SENIOR MANAGEMENT

In June 2015, Fushun Yongmao Construction Machinery Co., Ltd* (撫順永茂建築機械有限公司) (“**Fushun Yongmao**”), a wholly-owned subsidiary of Yongmao Group, entered into a non-competition undertaking in favor of our Group which restricts Fushun Yongmao’s revenue to be generated from rental of tower cranes. Pursuant to such undertaking, in the countries where our Group has business operation, the total income of Fushun Yongmao generated from the dry lease of tower cranes shall not exceed 20% of the total operating income of Fushun Yongmao. In addition, pursuant to the undertaking, in all the countries where Fushun Yongmao has business operation (whether or not our Group has business operation therein), the income of Fushun Yongmao generated from the dry lease of tower cranes shall not exceed 30% of the total operating income of Fushun Yongmao. Under the undertaking, any income of Fushun Yongmao generated from the dry lease of tower cranes shall exclude those income generated from rental of tower cranes with an option to purchase;

- (b) So far as our Directors are aware, Yongmao’s tower crane rental services in the PRC is of a relatively insignificant size comparing with the size of our Group as Yongmao primarily focuses on the design, development, manufacture and sales of tower cranes and it does not have any significant ranking in the tower crane services industry in the PRC according to Frost & Sullivan. As disclosed in the audited financial statements of Yongmao Group, for the three financial years ended 31 March 2018, 2019 and 2020, its income generated from dry lease and relevant servicing of tower cranes, tower crane components and accessories in the PRC amounted to approximately RMB47.9 million, RMB37.3 million and RMB34.9 million, respectively, representing approximately 8.73%, 5.69% and 4.69% of our Group’s revenue for the same periods. To the best knowledge and belief of our Directors, dry lease of tower cranes is ancillary to the principal business of Yongmao Group, i.e. design, development, manufacture and sale of tower cranes and related parts and components, and is intended to promote the subsequent sale of tower cranes to its customers and to reach out to more potential customers;
- (c) Mr. Ng is not involved in the day-to-day management and operation of Yongmao. Mr. Ng, together with other members of Chwee Cheng Controlling Shareholder Group, indirectly holds approximately 24.0% shareholding interest in Yongmao Group. Such shareholding would not give Mr. Ng any meaningful control over Yongmao to influence its business for the benefit of our Group. Similarly, Mr. Ng is a non-executive Director and not involved in the day-to-day management and operation of our Group. As such, he cannot exert control to influence our business for the benefit of Yongmao to the detriment of our Group and our Shareholders as a whole;
- (d) Mr. Sun is not involved in the day-to-day management and operation of our Group as our non-executive Director. Mr. Sun does not have any direct voting right at the general meeting of our Group. Instead, through Sun & Tian Investment Pte. Ltd., Mr. Sun and his family members indirectly own approximately 57.4% shareholding interest in Yongmao, which in turn owns approximately 11.6% shareholding interest

DIRECTORS AND SENIOR MANAGEMENT

in Tat Hong China. Though Tat Hong China owns approximately 91.1% shareholding interest in our Company prior to the Listing, as Mr. Sun and his associates are minority shareholder of Tat Hong China, he cannot exert any control over Tat Hong China in exercise of its voting right at the general meeting of our Company;

- (e) Mr. Ng's role in Yongmao and Mr. Sun's role in our Group are not intended to and do not exert influence on Yongmao Group or our Group. Save for Mr. Ng and Mr. Sun, none of the Directors nor the senior management of our Group holds any executive or non-executive position in Yongmao Group. Mr. Ng and Mr. Sun's respective role in Yongmao Group and our Group are purely for the purposes of representing their respective interests as a shareholder in the respective companies and enhancing the communication between our Group and Yongmao Group;
- (f) Save for the overlapping of directorship of Mr. Ng and Mr. Sun in our Group and Yongmao Group, as our management team is different from the management team of Yongmao, there are sufficient non-overlapping directors in our Group and our management team possesses relevant experience to ensure that our Board is able to perform its functions properly. Therefore, even if Mr. Ng and/or Mr. Sun are required to abstain from voting and are not included in the quorum of the meeting of our Board, our Directors believe that our Board can still function efficiently and competently;
- (g) Each of Mr. Ng and Mr. Sun has irrevocably confirmed that insofar as he has interest in Yongmao Group as a director or by himself or his associates as shareholder of Yongmao, he will abstain from voting if any conflicts of interest or duty arise in terms of our Group's transactions with Yongmao Group; and
- (h) Our Group maintains a comprehensive set of internal control procedures for facilitating the effective operation of our own business and has a sufficient level of operations, assets, facilities and employees to operate and function independently from Yongmao Group.

After the Listing, our Company is required under Rule 8.10(2)(b) and (c) of the Listing Rules to (i) prominently disclose details as required under Rule 8.10(2)(a) of the Listing Rules of any such interests (including any interests acquired after the Listing) in our Company's annual reports; and (ii) prominently disclose in our Company's annual reports any change in details previously so disclosed in our Company's annual reports or this prospectus. In addition, our Directors are subject to fiduciary duties to our Company that require them to avoid actual and potential conflicts of interest and duty. Our Directors are also aware of their duty as directors not to profit themselves to the detriment of our Company.

Save as disclosed above in the paragraph headed "Disclosure under Rule 8.10(2) of the Listing Rules" in this section, none of our Directors has interest in any business which competes or is likely to compete (either directly or indirectly) with our business and which is required to be disclosed under Rule 8.10(2).

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

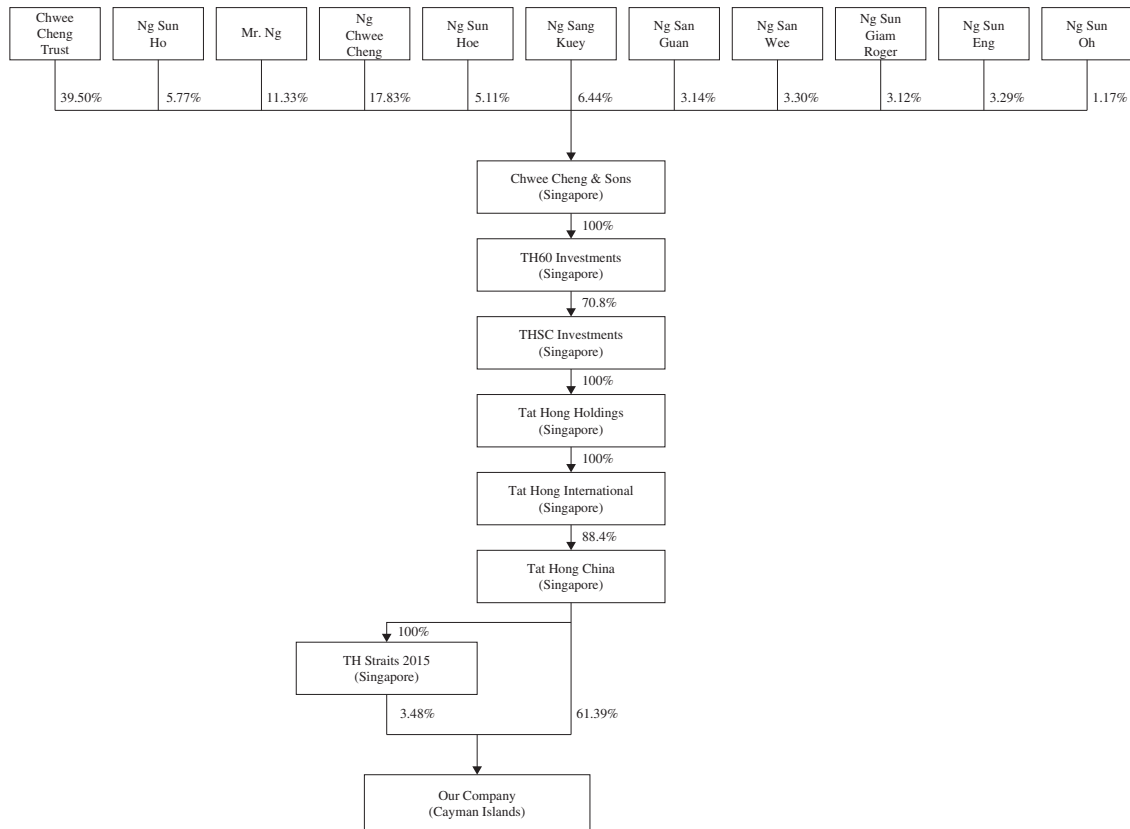
Pursuant to the Guidance Letter HKEx-GL89-16 issued by the Stock Exchange in November 2016, if the shareholders restrict their ability to exercise direct control over the listing applicant by holding their interests through a common investment holding company, the Stock Exchange will presume the shareholders to be a group of controlling shareholders of the listing applicant. As the Ultimate Controlling Shareholders hold THSC Investments (which serves as a common investment holding company owned as to approximately 70.8% by TH60 Investments and approximately 29.2% by Augusta Investments), which in turn holds Tat Hong Holdings and Tat Hong International, which in turn holds approximately 88.4% of Tat Hong China (the remaining shareholding interest in Tat Hong China being owned as to approximately 11.6% by Yongmao), which in turn holds approximately 91.11% of our Company (before the Global Offering), the Ultimate Controlling Shareholders, Augusta Investments and Yongmao are presumed to be a group of controlling shareholders of the Company under the Guidance Letter HKEx-GL89-16. As Augusta Investments, being holder of approximately 29.2% shareholding interest in THSC Investments, can exert very limited influence on the operation and management of THSC Investments and our Group, Augusta Investments is not presumed to be a Controlling Shareholder. As Yongmao only holds approximately 11.6% interests in Tat Hong China, it can exert very limited influence on our Group through its shareholding interests in Tat Hong China. Mr. Sun, being the controlling shareholder, chairman and director of Yongmao, is also our non-executive Director, and he performs non-executive functions in our Group and is not involved in the day-to-day management and operation of our Group and hence, Yongmao is not presumed to be a Controlling Shareholder.

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme), the Chwee Cheng Controlling Shareholder Group, Chwee Cheng & Sons, TH60 Investments, THSC Investments, Tat Hong Holdings, Tat Hong International, TH Straits 2015 and Tat Hong China, will be interested in approximately 64.9% of the issued share capital of our Company and hence will be our Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme):

(Note)



Note: percentage may not add up to 100% due to rounding.

Among our Ultimate Controlling Shareholders, Mr. Ng is the chairman of our Board and our non-executive Director. For further information about Mr. Ng, please refer to the section headed “Directors and Senior Management” of this prospectus.

Save as disclosed above, there is no other person who will, immediately following completion of the Global Offering, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

Our Controlling Shareholders have confirmed that none of them and their respective associates is interested in any business which competes or is likely to compete, directly or indirectly with the business of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

DELINEATION OF THE BUSINESS OF OUR GROUP AND THE COMPANIES OF THE CONTROLLING SHAREHOLDERS

Save and except for the interest in our Group, the Ultimate Controlling Shareholders individually and collectively are interested or involved in business worldwide including the Private Group. The businesses of these companies are multi-national and these companies are engaged in different industries such as rental and sales of mobile cranes, crawlers and related accessories and heavy equipment plus related repair and maintenance services; manufacturing of metal precision components; manufacturing of oil exploration equipment and parts; conducting engineering work (fabrication, installation and repair of heavy equipment, marine and harbor craft), investment holding, storage, transport and logistic services, marine and harbour craft engineering works, and general wholesale trade.

The Private Group consists of companies which are under the control of (or 50% or more of the issued share capital of which are owned by) the Ultimate Controlling Shareholders collectively or individually (except for their interest in our Group) and carry out, among others, lease and/or sales of cranes (other than tower cranes), machinery and equipment save and except Beijing Tat Hong and its subsidiaries which had, to an insignificant extent, provided limited tower crane dry lease services during the Track Record Period.

Characteristics of tower crane solution service providers

We believe that the characteristics of tower crane service providers; and the usage and applicability of tower cranes are the centre of the analysis of the business delineation and extent of competition between the Private Group and our Group. As contrary to the mere rental or sale of mobile cranes, crawlers and related accessories engaged by the Private Group, our Group, provides one-stop tower crane solution services from consultation, technical design, commissioning, construction to after-sales services which require substantial expertise and capital input. Owing to the tower cranes' lifting and power capabilities and height capacity, they cater mainly for large scale construction projects and thus, our Group's customers are mainly Chinese Special-tier and Tier-1 EPC contractors for their large scale and complex Special-tier and Tier-1 EPC projects, and there is generally no overlap of customers between the Private Group and our Group. On the contrary, save and except that Beijing Tat Hong and its subsidiaries had, to an insignificant extent, provided limited tower crane dry lease services during the Track Record Period, the Private Group was not engaged in provision of any tower crane solution services in the PRC or any other parts of the world during the Track Record Period and as at the Latest Practicable Date. Our Directors confirm that the Private Group will cease its tower crane rental business, which is mainly dry lease, in the PRC before Listing and thus, the businesses operated by the Private Group and the Group can be clearly delineated by geographical location and business nature. Therefore, our Directors believe that there is no competition within specific geographical locations between the Private Group and the operations of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Summary of major differences between our Group and the Private Group

The following table sets forth a brief summary of the major differences between the business of our Group and that of the Private Group which demonstrates the business delineation between them:

Main areas of delineation	Our Group	Private Group		
Equipment type	<ul style="list-style-type: none"> • Tower cranes including topkit tower cranes, toplless tower cranes and luffing jib tower cranes, which have the following key characteristics: <ul style="list-style-type: none"> (i) no limit as to the heights reachable by the tower cranes (ii) non-movable once installed and erected (iii) requiring technical planning prior to entering into project sites 	<ul style="list-style-type: none"> • Primarily mobile cranes such as rough terrains, crawlers, all terrains, telescopic handlers which have the following key characteristics: <ul style="list-style-type: none"> (i) limited heights reachable by the mobile cranes; (ii) movable (iii) certain technical planning required before entering into project sites • The Private Group also owned two tower cranes during the Track Record Period^(Note) • other non-crane constructional equipment; • other non-constructional industrial machinery and equipment such as oil exploration equipment. 	<p>As confirmed by our Directors and concurred by Frost & Sullivan, tower cranes and mobile cranes are neither substitutable nor replaceable by each other as</p> <ul style="list-style-type: none"> (i) the height capacity of the two types of cranes are different. Tower cranes are widely used in the construction of high-rise buildings and generally the height capacity of tower cranes substantially surpasses that of mobile cranes; (ii) the working radius of the two types of cranes are different. Tower cranes usually have greater reach than mobile cranes and can access materials across a construction site without the need for site roads to deploy mobile cranes; and (iii) the applicability of the two types of cranes are different. Tower cranes are mainly used in heavy-duty construction sites while mobile cranes are generally suitable for various sites and usage scenarios with different types of load and cargo with little or no setup or assembly. Thus, different equipment is needed and used by our Group and the Private Group for conducting the respective business of our Group and that of the Private Group. 	

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Main areas of delineation	Our Group	Private Group	
Business scope	Provision of one-stop tower crane solution services ranging from consultation, technical design, commissioning, construction to after-sale services	Primarily rental and sales of mobile cranes, crawlers and related accessories and heavy equipment plus related repair and maintenance services; manufacturing of metal precision components; manufacturing of oil exploration equipment and parts; conducting engineering work (fabrication, installation and repair of heavy equipment, marine and harbor craft)	As confirmed by our Directors and concurred by Frost & Sullivan, use of tower cranes and mobile cranes are neither substitutable nor replaceable by each other and the applicability of which are different and thus, the business scope of our Group and that of the Private Group can be clearly delineated.
		<ul style="list-style-type: none"> • Investment holding 	
Customers	Primarily Special-tier and Tier 1 EPC contracts which are mainly Chinese state-owned enterprises and public companies in the PRC	Primarily customers outside the PRC which require the aforesaid equipments and services	To the best knowledge of our Directors and the directors of our Controlling Shareholders, save for the possible overlap of customers with BJTH Group, there was no overlap of customers in similar business between our Group and the Private Group during the Track Record Period. ^(Note)
Suppliers	Yongmao Group and other tower crane suppliers	Suppliers of the aforesaid equipments and service	To the best knowledge of our Directors and the directors of our Controlling Shareholders, save for the possible overlap of suppliers with BJTH Group, there was no overlap of suppliers during the Track Record Period. ^(Note)
Primary location	PRC	Hong Kong, the PRC ^(Note) and regions and/or countries outside PRC such as Australia, Malaysia, Thailand, Vietnam, Singapore, Philippines, Sri Lanka, Brunei and Myanmar.	There is a clear delineation as to geographic locations

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Main areas of delineation	Our Group	Private Group	
Management	Our executive Director and senior management	Apart from Mr. Ng who holds directorship in various companies of the Private Group, our executive Directors and members of our senior management team confirmed that they do not hold any position in the Private Group	Apart from Mr. Ng, as confirmed by our Directors and members of our senior management, there is no overlap of Directors, senior management between our Group and the Private Group
Major source of income	We generated revenue from the provision of one-stop tower crane solution services in the PRC during the Track Record Period. Our revenue during the Track Record Period amounted to approximately RMB549.1 million, RMB656.0 million, RMB744.9 million and RMB204.9 million, respectively.	Primarily generated revenue from rental and sales of mobile cranes, crawlers and related accessories and heavy equipment plus related repair and maintenance services; manufacturing of metal precision components; manufacturing of oil exploration equipment and parts; conducting engineering work.	Our Directors are of the view that our Group is not financially dependent on the Private Group
		To the best knowledge of our Directors, based on the financial information of the Private Group, during the Track Record Period, the total revenue of the Private Group amounted to approximately RMB2.4 billion, RMB2.3 billion, RMB2.0 billion and RMB414.8 million, respectively.	
Employees as at 30 June 2020	A total of 810 full-time employees in the PRC	To the best knowledge of our Directors, over 1,200 employees mainly in the regions of Southeast Asia and other countries	Our Directors confirm that the employees of the Private Group do not overlap geographically with the employees of our Group

Note: Owing to historical reasons, the companies under common control by Tat Hong Holdings, namely Beijing Tat Hong, Sichuan Tat Hong Yuan Zheng Machinery Construction Co. Ltd* (四川達豐元正機械工程有限公司) and Tat Hong Zhiyuan (Jiangsu) Equipment Rental Co., Ltd (達豐致遠(江蘇)機械租賃有限公司) (together, the “**BJTH Group**”) under the Private Group had provided limited tower crane dry lease services to us and/or third parties during the Track Record Period. During the Track Record Period, the BJTH Group owned two tower cranes. As such, there was a possible overlap of customers between our Group and BJTH Group and a possible overlap of suppliers with our Group for tower crane components and parts during the Track Record Period. As at the Latest Practicable Date, the BJTH Group had ceased to provide any tower crane dry lease services, and had sold to our Group the two tower cranes owned by it. For further details, please refer to “Connected Transactions” in this prospectus.

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Reasons for the exclusion of the Private Group

As set out above, the equipment used, business focus and operation of the Private Group and our Group are different, and the two groups have independent sets of management, operation, administration and financial systems and personnel with minimal overlapping of the management. Our business operated independently as an autonomous business unit during the Track Record Period, and our business will, upon Listing, continue to be independent and separate from the Private Group. Our Directors are of the view that there is a clear delineation between the Private Group and our Group. The Private Group was not included in our Group as our Directors are of the view that (i) the business of the Private Group can be clearly delineated from the business of our Group in terms of the type of equipment need, business scope, customers, suppliers and business location; (ii) the business of the Private Group is not in line with our overall strategy to further strengthen our leading position in the tower crane service industry in the PRC; and (iii) the exclusion of the Private Group can help streamline our business and operation.

Given the different nature of business between our Group and the Private Group, after the Listing, our Directors do not expect there will be any overlap nor competition between the business of the Private Group and our Group. Our Directors confirmed that our Group has no present intention or plan to enter into the business where the Private Group is currently operating in the near future. Notwithstanding this, to avoid future possible competition that the Private Group may have against our Group's business, in the future our Controlling Shareholder have collectively and individually undertaken to our Company to procure the Private Group (and its associates) not to carry out, directly or indirectly, any business which is or may be in competition with the business carried on or contemplated to be carried on by our Group in the PRC or such other countries or regions that our Group has conducted business from time to time in the future. As such, the Private Group is not allowed to engage in the provision of tower crane solution services by itself or conduct any business which will be in direct or indirect competition with our Group. Please refer to the section headed "Non-competition undertakings" in this section for further details.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Save as otherwise disclosed in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders and their respective associates upon or shortly after the Listing. Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Global Offering:

Management independence and conflicts of interest management

During the Track Record Period, some of our Group's Directors, namely Mr. Sean Yau and Mr. Henry Lin, had served positions in Tat Hong China, one of our Controlling Shareholders. Our Group is managed and operated by our executive Directors and senior management including Mr. Sean Yau and Mr. Henry Lin on a daily basis and each of them had

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confirmed that his roles and responsibilities in Tat Hong China were of advisory nature as Tat Hong China is an investment holding company. Mr. Sean Yau and Mr. Henry Lin have also tendered their resignations to Tat Hong China, which had taken effect as at the Latest Practicable Date. Upon Listing, Mr. Sean Yau and Mr. Henry Lin will have no directorship or other roles in the Controlling Shareholders and the Private Group.

In addition, as at the Latest Practicable Date, Mr. Ng, the chairman of our Board and our non-executive Director, also holds positions and/or interest in some of our Controlling Shareholders and the Private Group.

The following table sets forth the details of our Directors who have directorship or officer positions and/or interest in our Controlling Shareholders and/or the Private Group during the Track Record Period/as at the Latest Practicable Date:

Name	Position held in our Group	Controlling Shareholders in which the Directors or senior management hold position	Position or interest held in the Controlling Shareholders	Position held in the Private Group
Mr. Sean Yau	Executive Director and chief executive officer	Tat Hong China	Chief executive officer, China ^(Note)	None
Mr. Henry Lin	Executive Director and chief operating officer	Tat Hong China	Assistant general manager (seconded to Shanghai Tat Hong) ^(Note)	None
Mr. Ng.	Non-executive Director and chairman of our Board	Chwee Cheng & Sons TH60 Investments THSC Investments Tat Hong Holdings Tat Hong International TH Straits 2015 Tat Hong China	Director and shareholder Director Director Director Secretary Director	Mr. Ng holds directorship in various companies in the Private Group.

Note:

Mr. Sean Yau and Mr. Henry Lin have tendered their resignations to Tat Hong China, which had taken effect as at the Latest Practicable Date.

The day-to-day management and operations of our Group will be the responsibility of all our executive Directors and senior management of our Company. Upon Listing, the Board will consist of eight Directors, comprised of two executive Directors, three non-executive Directors and three independent non-executive Directors. Notwithstanding that (i) Mr. Sean Yau and Mr. Henry Lin held respective positions as chief executive officer (China) and assistant general manager (seconded to Shanghai Tat Hong) in Tat Hong China during the Track Record Period;

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and (ii) Mr. Ng, our chairman, non-executive Director and one of our Controlling Shareholders, holds directorship or interest in six of our Controlling Shareholders and our Company, we consider that our Board and senior management will function independently from our Controlling Shareholders because:

- (a) our executive Directors, supported by our experienced full-time senior management team, oversee the day-to-day operation of our Group and are responsible for the management of our Group's business. Furthermore, Mr. Sean Yau and Mr. Henry Lin confirmed they were not involved in any operation of Tat Hong China which is an investment holding company, and they had tendered their resignations to Tat Hong China, which had taken effect as at the Latest Practicable Date. None of them holds any position in the Private Group;
- (b) Mr. Ng is the chairman of our Board and non-executive Director of our Company. He does not take part in our Company's day-to-day management and operation of our Group but he oversees and monitors the performance of our senior management team, especially with regard to the progress made towards achieving our business strategy and objective from time to time. For details about Mr. Ng's directorship in the Private Group, please see the section headed "Directors and Senior Management";
- (c) each Director is aware of his/her fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (d) the decision making mechanism of our Board as specified in our Articles of Association has set out relevant provisions to avoid conflicts of interest, including but not limited to (i) disclosure of conflicting interest to the Board; (ii) if the relevant proposal causes conflicts of interest between our Group and our Controlling Shareholder(s), the Director(s) associated with our Controlling Shareholders should abstain from voting and should not attend or be included in the quorum of the meeting of the Board; (iii) when connected transaction(s) are considered, independent non-executive Directors shall give their independent opinions to the Board on the relevant connected transaction(s) pursuant to the Listing Rules;
- (e) upon Listing, we will have appointed three independent non-executive Directors who have sufficient and competent knowledge and experience, and will bring independent judgment to the decision-making process of the Board; and
- (f) all our senior management members are independent from our Controlling Shareholders. They have served our Group for a sufficient length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

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As our management team is different from the Private Group, there are sufficient non-overlapping Directors who are independent from the Private Group who are independent from our Controlling Shareholders and possess relevant experience to ensure that the Board is able to perform its functions properly.

Based on the above, our Directors are of the view that our Board is capable of managing our Group's business independently from the Controlling Shareholders and the Private Group after the Listing.

Operational independence

Our Group has established our own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources and general administration resources with the Controlling Shareholders and/or their respective close associates. Save for those as disclosed in this section in this prospectus, the customers and suppliers of our Group are all independent from our Controlling Shareholders and our Group does not rely on our Controlling Shareholders or their respective close associates and has independent access to customers and suppliers. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

During the Track Record Period, our Group conducted certain transactions with our Controlling Shareholder and/or its subsidiary on a recurring basis which are expected to continue after the Listing and will constitute continuing connected transactions of our Company under the Listing Rules. Details of each of the continuing connected transactions are set out in the section headed "Connected Transactions" in this prospectus. Such transactions are entered into in the ordinary and usual course of business of our Group and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favorable to our Group than terms offered by Independent Third Parties. Our Directors believe that the continuing connected transactions between our Group and our Controlling Shareholder and/or its subsidiary do not indicate any undue reliance by our Group on our Controlling Shareholders and are beneficial to our Group and our Shareholders as a whole.

In light of the above, our Directors are of the view that our Group is capable of operating its business independently from the Controlling Shareholders after the Listing.

Financial independence

Our Group has its own financial management and accounting systems and functions and makes financial decisions according to our own business needs. Our Group has the ability to operate independently from the Controlling Shareholders from a financial perspective.

During the Track Record Period, our Controlling Shareholders had provided financial assistance by way of loans to our Group and had provided corporate guarantees for obtaining bank facilities used by our Group. Please refer to the section headed "Financial Information – Indebtedness – Loans from a related party" in this prospectus and notes 33 and 37 to the accountant's report set out in Appendix I to this prospectus for further details.

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In 2018, THSC Investments, a Controlling Shareholder of our Company, has obtained a syndicated loan (the “**Syndication Loan**”) for use by our Group and other group companies of Tat Hong China as a whole. The Syndication Loan was secured by, among others, the mortgage of our Group’s property, plant and equipment, pledged by equity shares of our Group’s subsidiaries and guaranteed by our Group’s subsidiaries. During the Track Record Period, Tat Hong China made advancements to our Group from time to time for our purchases of tower cranes and general working capital needs, and the balance as at 31 March 2020 was approximately RMB428.2 million.

In view of the proposed Listing, our Group will obtain loans from third parties and all outstanding loans or borrowings from any of our Controlling Shareholders or any of their respective associates have already been fully settled, and the associated pledges and guarantees provided by or to our Controlling Shareholders will be released before or upon Listing.

Save as disclosed above, our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loan, guarantee or pledge to our Group. Our Directors are also of the view that our Group is not financially dependent on the Controlling Shareholders or their respective close associates in our Group’s business operations and our Group is able to generate cash from our operations and to obtain external financing on market terms and conditions for our business operations as and when required without reliance on the Controlling Shareholders after Listing.

Having considered the above factors, our Directors consider that our Group is able to maintain financial independence from the Controlling Shareholders and their respective close associates after Listing.

NON-COMPETITION UNDERTAKINGS

In order to avoid any future competition between our Group and the Controlling Shareholders, the Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) executed the Deed of Non-competition in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries).

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earlier of (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which that Covenantor ceases to be a Controlling Shareholder.

1. Non-competition

Each of them will not, and will procure that its/his close associates (except any member of our Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise

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and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on or contemplated to be carried on by any member of our Group in the PRC or any place where our Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (the “**Restricted Business**”).

2. New business opportunity

Neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (the “**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of Non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group by written notice, and that the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of our Group and the shareholders of our Company as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms under which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company, or such longer period of time, not longer than 180 days to be specified by our Company by notice in writing to the Covenantor, where our Company’s acceptance of the New Business Opportunity is subject to the approval of the Stock Exchange or the independent shareholders of our Company or governmental or regulatory authorities;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

2. each Covenantor has interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange (the “**Relevant Company**”) provided that:
 - (a) any Restricted Business conducted or engaged in by the Relevant Company (and assets relating thereto) accounts for less than 10% of the Relevant Company’s consolidated turnover or consolidated assets, as shown in its latest audited accounts;
 - (b) the total number of the shares held by the Covenantors and/or their respective close associates in the Relevant Company or in which they are together interested does not exceed 5% of the issued shares of that class of the Relevant Company, provided that (i) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) with a larger percentage of the shares in question than the Covenantors and their respective close associates together hold; or
 - (c) our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to take up the New Business Opportunity. Any Directors who have an interest shall abstain from voting. In assessing whether or not to exercise the right to acquire the New Business Opportunity, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our Group’s business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of our Shareholders and our Group as a whole.

3. Further undertakings

Pursuant to the Deed of Non-competition, each Covenantor has further undertaken, among other things, that:

- (1) it shall not disclose any confidential or trade-sensitive information of our Group to any person or use any of such information for advancing their business without our written consent;
- (2) it shall not solicit any customer of our Group (whether past, present or future) to enter into any sales or business contract. It shall conduct conflict check with every new customer before entering into any agreement in order to ensure each of them will not enter into any sales or business contract with any customer of our Group (whether past, present or future);

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- (3) it shall, upon request of our independent non-executive Directors, provide our independent non-executive Directors with all information necessary for their review of compliance with and implementation of the Deed of Non-competition by our Controlling Shareholder and its respective subsidiaries;
- (4) it shall keep us informed and shall procure their respective subsidiaries to provide all information required by our Board to assist them in their consideration of any New Business Opportunities;
- (5) it agrees that our Company will disclose the decisions made by our independent non-executive Directors on the compliance with and implementation of the Deed of Non-competition in our annual reports or announcements;
- (6) it shall provide a declaration annually on compliance with the terms of the Deed of Non-competition to our Company to facilitate our making of relevant disclosure in our annual reports;
- (7) it shall indemnify our Group against any loss resulting from any breach of the non-competition undertakings by each Covenantor or its/his respective subsidiaries; and
- (8) it shall conduct conflict checks with its customers before entering into any agreement with them in order to ensure that they will not enter into any sales or business contract or concession agreement with customers of any companies (whether past, present or future) in contravention of the non-competition undertakings.

4. Termination

The Deed of Non-competition shall continue to be effective until the earlier of the occurrence of the following situations:

- (1) the date on which each Covenantor and its/his subsidiaries, in aggregate, directly or indirectly hold less than 30% of the entire issued share capital of our Company; or
- (2) the date on which the Offer Shares cease to be listed on the Stock Exchange, except that trading in the Offer Shares is temporarily suspended for any reason.

5. Corporate Governance Measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by our Company, provide all information which is necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;

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- (b) procure our Company to disclose to the public either by stating in the annual report of our Company or by issuing a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement thereof;
- (c) where our independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement thereof is in accordance with the requirements of the Listing Rules; and
- (d) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the Listing of, and granting the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

RULE 8.10 OF THE LISTING RULES

Save as disclosed in this section and the paragraph headed "Directors and Senior Management – Disclosure under Rule 8.10(2) of the Listing Rules", our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

CORNERSTONE INVESTORS

CORNERSTONE PLACING

As part of the International Offering, we, Fortune (HK) Securities Limited (as a joint global coordinator) and the Sole Sponsor have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”) with two cornerstone investors, namely Zoomlion International Trading (H.K.) Co., Limited (“**Zoomlion HK**”) and Yanlord Investment Limited (“**Yanlord Investment**”) (each a “**Cornerstone Investor**” and together the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Shares (rounded down to nearest whole board lot of 2,000 Shares) at the Offer Price, which may be purchased with an aggregate amount of approximately HK\$209.3 million (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$1.50 (being the low end of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 139,554,000 Shares, representing approximately (i) 37.5% of the Offer Shares (assuming the Over-allotment Option is not exercised); (ii) 11.9% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 11.5% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$1.73 (being the mid-point of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 121,002,000 Shares, representing approximately (i) 32.5% of the Offer Shares (assuming the Over-allotment Option is not exercised); (ii) 10.4% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 9.9% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK\$1.96 (being the high end of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 106,800,000 Shares, representing approximately (i) 28.6% of the Offer Shares (assuming the Over-allotment Option is not exercised); (ii) 9.1% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 8.7% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

CORNERSTONE INVESTORS

The Directors believe that introducing the Cornerstone Investors to the Global Offering and securing the subscription of a significant number of Offer Shares will set a solid platform for the launch of the Global Offering by demonstrating the Cornerstone Investors' confidence in the Global Offering.

The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares then in issue and to be listed on the Stock Exchange and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. The Cornerstone Investors are not existing shareholders of any member of our Group and are independent of each other. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the Cornerstone Investment Agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become a Substantial Shareholder. There will be no deferred settlement, delivery or payment in respect of the Offer Shares to be subscribed for by the Cornerstone Investors under the Cornerstone Placing.

To the best knowledge of our Company, save for the investment in our Company through the Cornerstone Placing, each of the Cornerstone Investors and Mr. Zhong Sheng Jian (details of whom are set out in the paragraphs headed "Our cornerstone investors – Yanlord Investment") is an Independent Third Party and is not the connected persons (as defined in the Listing Rules) of our Group, our substantial shareholders, Directors and senior management, any connected persons of our Company or any of their respective associates save as disclosed in this section. In addition, we confirm that (i) there is no side agreements or arrangements between our Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing; (ii) each of the Cornerstone Investors is making independent investment decisions and none of the Cornerstone Investors is accustomed to taking instructions from our Company, our subsidiaries, the Directors, the chief executive, the Controlling Shareholders, the substantial Shareholders or the existing Shareholders or any of their close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by our Company, our subsidiaries, the Directors, the chief executive, the Controlling Shareholders, the substantial Shareholders or the existing shareholders or any of their close associates; and (iv) no preferential treatment has been, nor will be, given to any Cornerstone Investor. The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure and conditions of the Global Offering". Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or around Tuesday, 12 January 2021.

CORNERSTONE INVESTORS

The details of their respective investments in our Company and respective Shares to be subscribed for are set forth below:

Cornerstone Investor	Total investment amount ^(Note) (HK\$ in million)	Number of Offer Shares to be subscribed	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate percentage of the International Offer Shares	Approximate percentage upon the completion of the Global Offering	Approximate percentage of the International Offer Shares	Approximate percentage upon the completion of the Global Offering
Assuming an Offer Price of HK\$1.50 per Share (being the low end of the indicative Offer Price range)						
Zoomlion HK	151.3	100,888,000	27.1%	8.6%	23.5%	25.8%
Yanlord Investment	58.0	38,666,000	10.4%	3.3%	9.0%	9.9%
Total	209.3	139,554,000	37.5%	11.9%	32.5%	35.7%
Assuming an Offer Price of HK\$1.73 per Share (being the mid-point of the indicative Offer Price range)						
Zoomlion HK	151.3	87,476,000	23.5%	7.5%	20.4%	22.4%
Yanlord Investment	58.0	33,526,000	9.0%	2.9%	7.8%	8.6%
Total	209.3	121,002,000	32.5%	10.4%	28.2%	31.0%

CORNERSTONE INVESTORS

Cornerstone Investor	Total investment amount ^(Note) (HK\$ in million)	Number of Offer Shares to be subscribed	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	
			Approximate percentage of the Offer Shares	Approximate percentage of the International Offer Shares	Approximate percentage of the International Offer Shares	Approximate percentage of the International Offer Shares
Assuming an Offer Price of HK\$1.96 per Share (being the high end of the indicative Offer Price range)						
Zoomlion HK	151.3	77,210,000	20.7%	23.0%	18.0%	19.7%
Yanlord Investment	58.0	29,590,000	7.9%	8.8%	6.9%	7.6%
Total	209.3	106,800,000	28.6%	31.8%	24.9%	27.3%
						8.7%

Note: Excluding brokerage, SFC levy and Stock Exchange trading fee.

CORNERSTONE INVESTORS

OUR CORNERSTONE INVESTORS

We have entered into a Cornerstone Investment Agreement with each of the following Cornerstone Investors. The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Zoomlion HK

Zoomlion HK is a company incorporated in Hong Kong with limited liability and principally engages in trading business. It is an indirectly wholly-owned subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) (“**Zoomlion**”), a company established in the PRC which mainly engages in the research, development, manufacturing, sales and services of engineering machineries and agricultural machineries. Zoomlion has its A shares listed domestically (Shenzhen Stock Exchange: 000157) and H shares listed in Hong Kong (Stock Exchange: 1157). As confirmed by Zoomlion, no approval is required to be obtained from the shareholders of Zoomlion in relation to the expected investment of Zoomlion HK in the Cornerstone Placing.

Zoomlion HK has acted as a cornerstone investor of companies listed on the Stock Exchange before, such as Changsha Broad Homes Industrial Group Co., Ltd. (Stock Exchange: 2163) and YCIH Green High-Performance Concrete Company Limited (Stock Exchange: 1847), and as confirmed by Zoomlion HK, apart from the above cornerstone investments, it has no other material investment.

Zoomlion HK noticed our proposed Listing through the application proof of the Company published on the website of the Stock Exchange and became interested in investing in our business. Confident in the future growth and business prospects of our Group, Zoomlion HK decided to participate in the Cornerstone Placing. Other than the above, there has not been any business relationship or transaction between (i) our Company, our subsidiaries, the Directors, the chief executive, the Controlling Shareholders, the substantial Shareholders or the existing Shareholders or any of their close associates and (ii) Zoomlion HK, its subsidiaries, its directors, its chief executive, its Controlling Shareholders, its substantial shareholders or its existing shareholders or any of their close associates. The consideration for its Cornerstone Placing is expected to be funded with the internal resources of Zoomlion HK.

Yanlord Investment

Yanlord Investment is a company incorporated in the British Virgin Islands with limited liability and principally engages in investment business. It is wholly owned by Mr. Zhong Sheng Jian, chairman, chief executive officer and Controlling Shareholder of Yanlord Land Group Limited, a company listed on the SGX (SGX: Z25) primarily engaged in the development of residential, commercial and integrated property projects in the PRC. As confirmed by Mr. Zhong Sheng Jian, he has over 20 years of investment experience.

CORNERSTONE INVESTORS

As confirmed by Yanlord Investment, (i) it has not been a cornerstone investor of any company listed on the Stock Exchange before, (ii) it has over 10 years of investment experience, (iii) its past investment portfolio primarily included investments in the stocks of companies listed on the Stock Exchange, with a diverse industry focus, such as the real estate, automobile and mining industries, and (iv) historically, its investment portfolio amounted to an aggregate of approximately HK\$10 million, but as at the Latest Practicable Date, it had no other material investment apart from the present prospective cornerstone investment.

Mr. Ng, our chairman and non-executive Director, acquainted with Mr. Zhong Sheng Jian in or around 2005 at a social event. After noticing our proposed Listing on an online news platform and through the application proof of our Company published on the website of the Stock Exchange, Mr. Zhong Sheng Jian enquired about our proposed Listing with Mr. Ng and became interested in investing in our Group. Confident in the future growth and business prospects of our Group, Mr. Zhong Sheng Jian decided to participate in the Cornerstone Placing through Yanlord Investment. Other than the above, there has not been any business relationship or transaction between (i) our Company, our subsidiaries, the Directors, the chief executive, the Controlling Shareholders, the substantial Shareholders or the existing Shareholders or any of their close associates and (ii) Yanlord Investment, its subsidiaries, its directors, its chief executive, its Controlling Shareholders, its substantial shareholders or its existing shareholders or any of their close associates. The consideration for its Cornerstone Placing is expected to be funded with the internal resources of Yanlord Investment.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the date and time as specified in the respective underwriting agreements, and neither of such underwriting agreements having been terminated;
- (2) the aforesaid underwriting agreements not having been terminated by the time and date as specified therein;
- (3) the Listing Division of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares of the Cornerstone Investors) (and other applicable waivers and approval) and that such approval, permission, license or waiver not having been revoked prior to the commencement of dealings of the Shares on the Stock Exchange;

CORNERSTONE INVESTORS

- (4) no laws shall have been enacted or promulgated by any governmental authorities which prohibit the consummation of the transactions contemplated under the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions;

- (5) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investors and our Company in the relevant Cornerstone Investment Agreements are (on the date of the relevant Cornerstone Investment Agreements) and will be (on the Listing Date) in all respects accurate and true and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreements on the part of the Cornerstone Investors or our Company (as the case may be); and

- (6) the Offer Price having been agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters).

CORNERSTONE INVESTORS

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during a period of six months starting from and inclusive of the Listing Date, *inter alia*, offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose of any of the shares subscribed by it under the respective Cornerstone Investment Agreement and any shares or securities of our Company derived therefrom (the “**Relevant Shares**”) or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares.

The Cornerstone Investors may transfer the Relevant Shares in certain limited circumstances as set out in the respective Cornerstone Investment Agreements, such as transfer to a wholly-owned subsidiary of the relevant Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes in writing (in favour of our Company) agreeing to, and the relevant Cornerstone Investor undertakes in writing (in favour of our Company) to procure that such wholly-owned subsidiary will, be bound by the obligations of the Cornerstone Investor under the relevant Cornerstone Investment Agreement including the restrictions on disposal imposed on the Cornerstone Investor, as if such wholly-owned subsidiary were subject to such obligations and restrictions.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Global Offering	Approximate percentage of interests in our Company immediately after completion of the Global Offering
Tat Hong China (<i>Note 1, 2</i>)	Beneficial interest and Interest in controlled corporations	756,955,875 Shares	64.9%
Tat Hong International (<i>Note 1, 2</i>)	Interest in controlled corporations	756,955,875 Shares	64.9%
Tat Hong Holdings (<i>Note 1, 2</i>)	Interest in controlled corporations	756,955,875 Shares	64.9%
THSC Investments (<i>Note 1, 2</i>)	Interest in controlled corporations	756,955,875 Shares	64.9%
TH60 Investments (<i>Note 1, 2</i>)	Interest in controlled corporations	756,955,875 Shares	64.9%
Chwee Cheng & Sons (<i>Note 1, 2</i>)	Interest in controlled corporations	756,955,875 Shares	64.9%
Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee (<i>Note 1, 2</i>)	Trustee	756,955,875 Shares	64.9%

Notes:

- 1 Tat Hong China will own approximately 61.4% of the issued capital of our Company and TH Straits 2015 will own approximately 3.5% of the issued capital of our Company. In turn, TH Straits 2015 is wholly owned by Tat Hong China and Tat Hong China is owned as to approximately 88.4% by Tat Hong International and 11.6% by Yongmao. For the shareholding structure of Tat Hong International, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee, as joint trustees of the Chwee Cheng Trust, owns approximately 39.5% of the shares of Chwee Cheng & Sons, which in turn owns 100% of the shares of TH60 Investments, which in turn owns approximately 70.8% of the shares of THSC Investments, which in turn owns 100% of the shares of Tat Hong Holdings, which in turn owns 100% of the shares of Tat Hong International.

SUBSTANTIAL SHAREHOLDERS

- 2 Immediately following completion of the Global Offering but taking no account of exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Tat Hong China will be the beneficial owner holding approximately 64.9% shareholding interest in the Company and thus each of Tat Hong International, Tat Hong Holdings, THSC Investments, TH60 Investments, Chwee Cheng & Sons, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee will be deemed or taken to be interested in all the Shares which are to be beneficially owned by Tat Hong China for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

SHARE CAPITAL

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Global Offering, without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below:

Authorised share capital	USD
<u>1,875,000,000</u> Shares of USD0.08 each	<u>150,000,000</u>
 Issued and to be issued, fully paid or credited as fully paid	
875,151,250 Shares in issue as at the date of this prospectus	70,012,100
<u>291,720,000</u> Shares to be issued pursuant to the Global Offering	<u>23,337,600</u>
<u>1,166,871,250</u> Total Shares issued and to be issued upon completion of the Global Offering	<u>93,349,700</u>

MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time. The 372,720,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon the Listing.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally in all respects with all other Shares currently in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions thereafter declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 15 December 2020, the principal terms of which are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus being fulfilled or waived (if applicable), our Directors have been granted a general unconditional mandate to exercise all power of our Company to allot, issue and deal with, otherwise by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the Over-allotment Option or upon the exercise of any options which might be granted under the Share Option Scheme or under any other option scheme or other similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, such number of Shares not exceeding:

- 20% of the aggregate number of our issued Shares as enlarged by the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or upon the exercise of any options that may be granted under the Share Option Scheme); and
- the aggregate number of our issued Shares repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the allotment and issue of Shares, please refer to “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus being fulfilled or waived (if applicable), our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares not exceeding 10% of the aggregate number of our issued Shares immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or upon any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information – A. Further information about our Company – 6. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

This mandate shall remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any other applicable law; or
- (iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, see “Statutory and General Information – A. Further information about our Company – 3. Written resolutions of our Shareholders” in Appendix IV to this prospectus.

SHAREHOLDERS’ GENERAL MEETING

The method and procedures for holding of general meeting or class meeting of a Cayman Islands exempted company and the circumstances under which such meetings are required are prescribed under and set out in the articles of association of such company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law” set out in Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information, including the accompanying notes thereto, set out in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with HKFRS. The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. Please also see the sections headed “Risk Factors” and “Forward-looking Statements” in the prospectus.

OVERVIEW

We are the first foreign-owned tower crane service provider established in the PRC. 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. During the Track Record Period, we had mainly engaged in EPC projects in infrastructure, energy, commercial and residential sectors conducted by our customers. As at the Latest Practicable Date, we owned a fleet of 1,008 tower cranes, which are all branded under “達豐” and equipped to flexibly engage in our customers’ specialised range of EPC projects throughout the PRC. According to Frost & Sullivan, the tower crane service market in the PRC is extremely fragmented with the top five players only accounted for the market share of approximately 4% in terms of revenue in 2019 whereas we accounted for approximately 0.7%.

During the Track Record Period, we had successfully completed 653 projects in the PRC. As at 30 June 2020, we had 269 projects in progress, which represent service contracts awarded to us but have not yet been completed, and 29 projects on hand, which represent service contracts awarded to us but have not yet been started.

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we recorded a total revenue of approximately RMB549.1 million, RMB656.0 million, RMB744.9 million and RMB204.9 million, respectively. Our net profit for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 was approximately RMB51.1 million, RMB68.3 million, RMB76.5 million and RMB27.6 million, respectively.

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BASIS OF PREPARATION

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 26 August 2014 and became the holding company for our subsidiaries comprising our Group. The financial statements of our Group were presented on a consolidated basis in accordance with Hong Kong Financial Reporting Standards as issued by the HKICPA and requirements of the Companies Ordinance, and had been prepared under the historical cost convention, except for certain financial assets and liabilities, including derivative instruments, which were measured at fair value.

The preparation of our consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial statements are disclosed in note 4 to the accountant's report set out in Appendix I to this prospectus.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of external factors, including the following:

Our performance is dependent on the development of the construction and tower crane service industries in the PRC, which in turn, largely depend on the general economic conditions and government policies

We derived all of our revenue from the provision of tower crane solution services in the PRC during the Track Record Period. The demand for our tower crane services is closely related to the level of government spending on urbanisation and infrastructure in the PRC, which in turn, largely depend on the PRC general economic conditions and government policies. According to Frost & Sullivan, between 2015 and 2019, underpinned by the ever-increasing investment in the infrastructure and real estate construction projects, the total output value of China's construction industry increased from approximately RMB18.1 trillion to approximately RMB24.8 trillion at a CAGR of approximately 8.2%. As a result, the tower crane service industry in the PRC demonstrated rapid growth in the past several years, achieving a double-digit CAGR for its revenue growth from 2015 to 2019. Further, according to Frost & Sullivan, in accordance with the 13th Five-year Plan for the Development of the Construction Industry (建築業發展“十三五”規劃(2016-2020年)), the PRC government aims to achieve a 7% annual growth rate of the total output value of the construction industry in the PRC, and the total output value of China's construction industry is expected to achieve approximately RMB35.1 trillion in 2024.

Although the current political trend seems to be in favour of the construction industry in the PRC due to the increasing urbanisation, which in turn, benefits the PRC tower crane service industry and hence, us in terms of abundant project opportunities, we cannot assure you that there will not be any adverse change in the government spending or policies towards the

FINANCIAL INFORMATION

construction industry. If these happen, the PRC tower crane service industry which we operate in will be materially and adversely affected, which in turn, will affect the number and/or value of the tower crane service projects in the PRC and correspondingly reduce the demand for our tower crane work and/or services.

Our performance is subject to the number of tower crane service projects awarded to us by tenders and acceptable tender prices

During the Track Record Period, we obtained the majority of our projects through tenders. We typically provide our technical solution plans and price estimate to our customers during the tender process and may engage in further price negotiations with our customers if they have been awarded the projects. Our price for a particular project is determined primarily based on a number of factors, including (i) the complexity and scale of the project; (ii) the models, height, the maximum lifting capacities and quantities of the tower cranes to be deployed; (iii) the specific technical solutions to be provided; (iv) the labour (including labour subcontracting) and transportation costs; (v) the sequence of deployment of tower cranes and project duration; (vi) the geographical location and seasonal and weather conditions of the project sites; (vii) the physical obstacles in conducting tower crane services in the project sites, including erection and dismantling; and (viii) the contractual risks. After negotiation, the unit price of our tower crane solution services to be performed under the particular projects are specified in the contracts and are agreed by our customers.

As we operate our business on a project-by-project basis and our customers may vary from year to year, our relationship with Chinese Special-tier and Tier-1 EPC contractors, which are mainly Chinese state-owned enterprises and public companies, and our ability to secure sizeable and profitable projects through tenders are crucial to our business operation and financial performance. Upon the completion of our projects on hand, in the event that we do not have sufficient new projects awarded to us or has not commenced work for any of our existing projects, our business operation and financial condition may be adversely and materially affected.

Our performance may be affected by competition in the tower crane service market in the PRC

Our competition mainly comes from a few major tower crane service providers in the PRC which also target service provisions to Special-tier and Tier-1 EPC contractors. Some of these competitors may have advantages over us in terms of capacity, access to capital, operational and managerial expertise, pricing or customer contacts. According to Frost & Sullivan, new players may also enter into the industry if they possess relevant expertise, advanced skills and/or technologies, relationship with EPC contractors and sufficient tower cranes and capital. If there is an increase in the number of competitors in the industry without a corresponding increase in tower crane service projects, competition within the tower crane service industry would intensify. Please also refer to the section headed “Risk Factors – Risks relating to our business – Significant competition in our operating market can reduce our market share and may materially and adversely affect our business, results of operations and financial condition” in this prospectus for more details.

FINANCIAL INFORMATION

Our financial performance is subject to timely settlement by our customers

We generally recognise our revenue from the provision of our tower crane solution services every month, which generally include 70% to 80% of the total settlement value of the services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates vary from project to project and are also typically specified in the contracts. Our customers shall arrange payment in accordance with the payment amount in our issued monthly invoice within a specified period of time according to the terms specified in the contracts. Our customers typically withhold approximately 20% to 30% of each month's total settlement value as residual money. The accumulated sum of these residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from project sites. In the event that our customers experience financial distress or are unable to settle their monthly payments due to us in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected.

Our performance is subject to fluctuation in our costs of labour subcontracting

Depending on the different schedules or needs of our various projects, we had also engaged third-party labour subcontractor companies during the Track Record Period to provide personnel to take up certain on-site roles, such as, operators, signal supervisors, repair and maintenance workers and handymen. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our fees incurred for labour subcontracting amounted to approximately RMB174.9 million, RMB177.3 million, RMB174.4 million and RMB52.4 million, representing approximately 42.3%, 37.4%, 35.5% and 40.2% of our total cost of sales for the same periods, respectively. In the event that there are any material change on the availability and prices of our labour subcontracting arrangement, we may not be able to have sufficient manpower to conduct our projects. If these happen, we may be liable for any project delay and associated costs, and also damage our business relationship with our customers, which in turn, will have a materially and adversely impact on our business operation and financial condition.

Our performance is subject to the mix of our tower cranes used in and the average monthly service prices of tower cranes per TM in use for our projects

Our results of operations and financial condition are affected by the mix of our tower cranes used in and the average monthly service prices of tower cranes per TM in use for our projects. Depending on the type, location, size and technical complexity of our particular project, we will decide the most suitable mix of tower cranes to use in a particular project, which include a mix of self-owned or rented tower cranes with different types and/or maximum lifting capacity. As such, our revenue and profitability would be affected by the average monthly service prices of tower cranes per TM in use for our projects, as the average monthly service prices of tower cranes per TM in use for projects that use all or most of medium-to-large sized tower cranes are generally higher than the average monthly service prices of tower cranes per TM in use for projects that use all or most of small sized tower

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cranes. Further, our cost of sales, in particular, the depreciation of right-of-use assets and rental costs of tower cranes with rental period less than one year will also increase as our use of rented tower cranes increase. For further details, please refer to the section headed “Financial Information – Principal income statement components – Revenue”, “– Cost of sales” and “– Gross profit and gross profit margin” in this prospectus.

Our performance is subject to seasonality

As our tower crane services are performed above the ground, our work and/or services are affected by seasonal weather conditions. For example, in northern China, we cannot conduct most of our tower crane service work from January to March due to the extreme cold weather. Further, we may also experience seasonal fluctuation in our revenue and operating income in the first quarter of the year due to the Chinese New Year, which in turn, reduce the business activities and labour force in the market. As such, any comparisons of our operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate due to seasonality.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements in conformity with HKFRS. We have also made certain accounting judgements and assumptions in the process of applying our accounting policies. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgement and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to change in conditions and assumptions. Our significant accounting policies, estimates and judgements, which are important for an understanding of our results of operations and financial condition, are more details set out in notes 2 and 4 to our financial statements included in the accountant’s report in Appendix I to this prospectus.

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IMPACTS OF THE ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

Adoption of HKFRS 9, HKFRS 15 and HKFRS 16

For the purpose of preparing and presenting our historical financial information for the Track Record Period, our Group has adopted HKFRS 9 (“**Financial Instruments**”), HKFRS 15 (“**Revenue from Contracts with Customers**”) and HKFRS 16 (“**Leases**”) throughout the Track Record Period.

We have assessed the effects of the adoption of HKFRS 9, HKFRS 15 and HKFRS 16 on our financial statements and identified the following areas that have been affected:

HKFRS 9

Impairment of financial assets

HKFRS 9 requires that the recognition of impairment provisions of financial assets measured at amortised cost based on expected credit losses while it is based on incurred loss model under HKAS 39. We have applied the simplified approach to provide impairment for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for impairment of all trade receivables and contract assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and has incorporated forward-looking information.

After assessing the information about past events, current conditions and forecasts of future economic conditions of the debtors, our Directors considered that the adoption of the new impairment methodology would not result in significant difference on bad debt provision.

Presentation of financial assets at fair value through other comprehensive income in the consolidated statements of financial position

Based on HKFRS 9, we have classified financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets at fair value through other comprehensive income in relation to commercial acceptance notes and bank acceptance notes should have been presented as “financial assets measured at amortised cost”, should HKAS 39 be applied throughout the Track Record Period.

Based on our above assessment, our Directors considered that the adoption of HKFRS 9 would not have significant impact on our Group’s financial position and performance during the Track Record Period.

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HKFRS 15 and HKFRS 16 (as lessor)

Revenue recognition

HKAS 18 excludes revenue arising from lease arrangement from its scope. We have assessed and concluded that the service contract with customer contains a right-to-use asset according to HKIFRIC 4 because customer has the ability or right to operate the asset. Therefore, the Group would have applied HKAS 17 to the lease element. According to HKAS 17, the total consideration of lease component (“**Operating Lease**”) and non-lease component (“**Hoisting Service**”) from the service contracts with customers shall be separated on the basis of their relative fair values, which are calculated based on the expected cost plus margin of Operating Lease and Hoisting Service. Based on HKAS 18, the recognition of revenue from Hoisting Service would have been referred to as the percentage of completion method.

HKFRS 15 also excludes revenue arising from lease arrangement from its scope. We have assessed and concluded that the service contract with customer contains a lease according to HKFRS 16. According to HKFRS 15, we allocated the total consideration of the service contracts to Operating Lease and Hoisting Service, based on the relative stand-alone selling prices, using the expected cost plus margin approach. Revenue from Hoisting Service is recognised over the service period and measured by input method, which is on the basis of our Group’s inputs to the satisfaction of Hoisting Service, mainly including labour hours incurred, in relation to the total expected inputs to the satisfaction of Hoisting Service. Revenue from Operating Lease is recognised on a straight-line basis over the lease term.

Based on our above assessment, our Directors considered that (i) the adoption of HKFRS 15 and HKFRS 16 as a lessor would not have significant impact on our Group’s revenue recognition; and (ii) the adoption of HKFRS 15 would not have significant impact on our financial position and performance when compared to that of HKAS 18.

Presentation of contract assets and contract liabilities in the consolidated statements of financial position

HKFRS 15 requires separate presentation of contract assets and contract liabilities in the consolidated statements of financial position. Contract assets in relation to unconditional rights to consideration should have been presented as “trade receivables” and contract liabilities in relation to unsatisfied performance obligations should have been presented as “advances from customers”, should HKAS 18 be applied throughout the Track Record Period.

HKFRS 16 (as lessee)

Presentation of right-of-use assets and lease liabilities

HKFRS 16 will result in almost all leases being recognised on the consolidated statements of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

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The right-of-use asset is subsequently measured at cost, less accumulated depreciation and any accumulated impairment losses, and the lease liability is subsequently measured using the effective interest rate method. Accordingly, the depreciation charges of right-of-use assets and the interest expenses on lease liabilities were recognised in the statements of comprehensive income. These leases would not have been qualified for recognition as assets or liabilities should HKAS 17 have been applied throughout the Track Record Period.

Our Directors considered that the adoption of HKFRS 16 would have no significant impact on our Group's performance (i.e. net profit) and financial position (i.e. net assets) during the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth selected items of our income statement for the periods indicated:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Revenue	549,127	656,003	744,921	189,667	204,888
Cost of sales	(413,582)	(474,103)	(491,683)	(117,903)	(130,086)
Gross profit	135,545	181,900	253,238	71,764	74,802
Selling and distribution expenses	(9,870)	(9,561)	(12,623)	(3,900)	(2,645)
General and administrative expenses	(49,100)	(58,115)	(91,795)	(16,115)	(18,913)
Research and development expenses	(3,453)	(5,570)	(9,914)	(2,427)	(3,277)
Net impairment losses on financial assets and contract assets	(1,588)	(1,341)	(5,464)	(560)	(885)
Other income	8,746	18,974	9,963	4,082	3,430
Other (losses)/gains, net	(3,546)	(1,681)	464	(317)	529

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	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Operating profit . . .	76,734	124,606	143,869	52,527	53,041
Finance costs	(22,218)	(38,062)	(33,680)	(11,744)	(12,341)
Finance income	82	448	1,019	148	118
Profit before					
income tax	54,598	86,992	111,208	40,931	40,818
Income tax expenses	(3,529)	(18,656)	(34,749)	(11,775)	(13,219)
Profit for the					
year/period	51,069	68,336	76,459	29,156	27,599

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

We primarily focus on and generate our revenue from providing one-stop tower crane solution services in the PRC. Our tower crane solution services range from consultation, technical design, commissioning, construction to after-sales services. During the Track Record Period, we had primarily provided tower crane solution services to Chinese Special-tier and Tier-1 EPC contractors in the PRC, which are mainly Chinese state-owned enterprises and public companies. We mainly participate and are engaged in our customers' EPC projects in the commercial, infrastructure, residential and energy sectors.

We first established our business presence in the PRC in 2007 by entering the eastern China market. Throughout the years, we have gradually expanded into more regional markets and established our operational presence across the PRC. Nevertheless, a substantial portion of our revenue during the Track Record Period was generated from our projects located in the eastern China region. As we conduct our tower crane solution services on a project-by-project basis, our revenue recognised during the Track Record Period had fluctuated subject to the type, location, size, technical complexity and progress of our projects at a given time. In addition, as we typically employ more than one type of tower cranes bearing different maximum lifting capacity, the average monthly service price of our tower cranes per TM in use could also affect our revenue generated from different projects during the Track Record Period.

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The table below sets out our revenue by major project type for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
Commercial ⁽¹⁾	269,700	49.1	307,154	46.8	329,898	44.3	93,389	49.2	93,335	45.6
Residential ⁽²⁾	85,341	15.5	138,569	21.1	198,215	26.6	39,598	20.9	58,820	28.6
Infrastructure ⁽³⁾	120,099	21.9	141,567	21.6	178,202	23.9	42,719	22.5	45,006	22.0
Energy ⁽⁴⁾	73,987	13.5	68,713	10.5	38,606	5.2	13,961	7.4	7,727	3.8
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

- Commercial primarily refers to our EPC projects for commercial buildings, industrial parks and shopping malls;
- Residential primarily refers to our EPC projects for residential properties and affordable housing;
- Infrastructure primarily refers to our EPC projects for airports, railway stations and bridges; and
- Energy primarily refers to our EPC projects for hydropower stations, nuclear power plants and LNG terminals.

The table below sets out the revenue by geographical location for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
Eastern China ⁽¹⁾	235,979	43.0	339,158	51.7	384,571	51.7	100,642	53.1	93,657	45.7
Northern China ⁽²⁾	110,785	20.2	108,877	16.6	145,520	19.5	34,420	18.1	49,845	24.3
Southern China ⁽³⁾	120,497	21.9	125,135	19.1	135,579	18.2	33,608	17.7	40,487	19.8
Western China ⁽⁴⁾	81,866	14.9	82,833	12.6	79,251	10.6	20,997	11.1	20,899	10.2
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

- Eastern China includes Shanghai, Jiangsu province, Zhejiang province, Anhui province, Jiangxi province, Hubei province, Hunan province and Shanxi province;
- Northern China includes Beijing, Tianjin, Heilongjiang province, Jilin province, Liaoning province, Shandong province, Hebei province, Henan province, Shaanxi province, Gansu province, Inner Mongolia Autonomous Region and Ningxia Hui Autonomous Region;
- Southern China includes Guangdong province, Fujian province, Guangxi Zhuang Autonomous Region and Hainan province; and
- Western China includes Chongqing, Sichuan province, Guizhou province, Yunnan province, Qinghai province, Xinjiang Uygur Autonomous Region and the Tibet Autonomous Region.

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We generally recognise our revenue from the provision of our tower crane solution services every month, which generally include 70% to 80% of the total settlement value of services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates vary from project to project and are also typically specified in the contracts. Our customers shall arrange payment in accordance with the payment amount in our issued monthly invoice within a specified period of time according to the terms specified in the contracts. Our customers typically withhold approximately 20% to 30% of each month's total settlement value as residual money. The accumulated sum of these residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from project sites.

The table below sets out the revenue by our service type for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
	<i>(Unaudited)</i>									
One-stop tower crane solution services ⁽¹⁾	545,614	99.4	647,121	98.6	738,400	99.1	187,382	98.8	202,793	99.0
– Operating lease	284,967	51.9	375,592	57.2	434,774	58.4	102,748	54.2	112,055	54.7
– Hoisting services	260,647	47.5	271,529	41.4	303,626	40.7	84,634	44.6	90,738	44.3
Dry lease service ⁽¹⁾⁽²⁾	3,513	0.6	8,882	1.4	6,521	0.9	2,285	1.2	2,095	1.0
Total:	549,127	100.0	656,003	100.0	744,921	100.0	189,667	100.0	204,888	100.0

Notes:

- Our service contracts with customers contain lease component (“**operating lease**”) and non-lease component (“**hoisting service**”). Revenue from operating lease is recognised on a straight-line basis over the lease term. Revenue from hoisting service is recognised over the service period and measured by input method, which is on the basis of our Group’s inputs to the satisfaction of hoisting service (mainly including labour hours incurred) in relation to the total expected inputs to the satisfaction of hoisting service. For further details of our revenue recognition policy for different type of services, please refer to the section headed “Financial Information – Impacts of the adoption of new and amendments to certain accounting policies” in and note 2.21 to our financial statements included in the accountant’s report in Appendix I to this prospectus; and
- Leasing our tower cranes to customers’ project sites for their own use without us providing any further services is classified as dry lease service. Revenue from dry lease is recognised on a straight-line basis over the lease term.

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According to Frost & Sullivan, due to the limited financial and technical capabilities, most of the tower crane service providers in the PRC have insufficient medium-to-large sized tower cranes which typically bear lifting capacity above 200TM. During the Track Record Period, we had been continuously purchasing tower cranes to expand our own fleet, in particular, tower cranes bearing maximum lifting capacity between 81TM and 900TM. Nevertheless, due to the needs of our projects and capital constraints, we had been strategically renting tower cranes from third-party suppliers during the Track Record Period in a systematic manner and deployed them to our various project sites. We believe that the mix fleet of self-owned and rented tower cranes can provide us with more flexibility and enables us to take on more projects to enhance the utilisation of our existing self-owned tower cranes, which in turn, increase our revenue. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, we had on average 930, 941, 958 and 971 self-owned tower cranes, respectively, and had rented 92, 133, 112 and 109 tower cranes on average, respectively.

Depending on the type, location, size and technical complexity of a particular project, we typically decide the most suitable mix of tower cranes to be deployed and used in such project, which will include a mix of our self-owned and rented tower cranes with different types and/or maximum lifting capacity. Generally, the average monthly service prices of tower cranes per TM in use for projects that use all or most of medium-to-large sized tower cranes are higher than the average monthly service prices of tower cranes per TM in use for projects that use all or most of small sized tower cranes. The table below sets out the average number of our self-owned and rented tower cranes (taking into account the disposals of our tower cranes and return of rented tower cranes from time to time) with the total TM in use and average monthly service price of tower cranes per TM in use for the periods indicated:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
Average number of self-owned tower cranes (unit) . .	930	941	958	950	971
Average number of rented tower cranes (unit)	92	133	112	118	109
Total TM in use	2,219,839	2,387,752	2,284,596	568,517	604,712
Average monthly service price of tower cranes per TM in use ⁽¹⁾ (approximately in RMB)	247	275	326	334	339

Note:

1. Average monthly service price of tower cranes per TM in use for a particular financial year/period equals to revenue divided by the total TM in use for such financial year/period.

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Cost of sales

Cost of sales primarily consists of our costs of depreciation of property, plant and equipment and right-of-use assets, labour subcontracting, travelling expenses, cost of parts, components and accessories, transportation expenses, salaries and benefits of our own project operational staff and rental costs of tower cranes with rental period less than one year (the “rental cost less than one year”). The following table sets out a breakdown of our cost of sales for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales
	<i>(Unaudited)</i>									
Depreciation of property, plant and equipment ⁽¹⁾	160,386	38.8	191,862	40.5	197,919	40.2	47,007	39.9	51,009	39.2
Depreciation of right-of-use assets ⁽¹⁾	24,485	5.9	37,662	7.9	28,937	5.9	6,222	5.3	5,546	4.3
Labour subcontracting	174,890	42.3	177,299	37.4	174,406	35.5	45,985	39.0	52,354	40.2
Repair expenses	4,553	1.1	4,269	0.9	13,566	2.8	2,005	1.7	4,545	3.5
Travelling expenses	7,781	1.9	8,572	1.8	11,718	2.4	3,118	2.6	3,121	2.4
Accessories fee ⁽²⁾	7,633	1.8	7,525	1.6	12,542	2.6	1,999	1.7	2,961	2.3
Employees' salaries and benefits	2,648	0.6	8,454	1.8	13,749	2.8	1,980	1.7	2,417	1.9
Rental cost less than one year	7,396	1.8	15,544	3.3	12,786	2.6	3,478	2.9	2,421	1.9
Transportation expenses	10,058	2.4	9,684	2.0	11,372	2.3	2,849	2.4	1,604	1.2
Others ⁽³⁾	13,752	3.4	13,232	2.8	14,688	2.9	3,260	2.8	4,108	3.1
Total:	413,582	100.0	474,103	100.0	491,683	100.0	117,903	100.0	130,086	100.0

Notes:

- Under HKFRS 16, depreciation of property, plant and equipment and right-of-use assets primarily included depreciation cost of our tower cranes and related equipment, our rental costs of tower cranes, employees' salaries and benefits for our erection and dismantling staff, and transportation costs for installation and dismantling of tower cranes and related equipment;
- Accessories fee primarily included wire ropes, power cables, paint, lubricant oil and anchors; and
- Others primarily included amortisation of intangible assets, insurance expenses and others.

Depreciation of property, plant and equipment and right-of-use assets was the largest component of our cost of sales during the Track Record Period, representing approximately 44.7%, 48.4%, 46.1% and 43.5% of our total cost of sales for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. For the three years ended 31 March 2018, 2019 and 2020, our total cost incurred in the depreciation of property, plant and equipment and right-of-use assets had general increased, primarily due to the general increase in the depreciation of our tower cranes and related equipment and right-of-uses as a result of the general increase in both of our self-owned and rented tower

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cranes from 930 units and 92 units on average for the year ended 31 March 2018, respectively, to 958 units and 112 units on average for the year ended 31 March 2020, respectively. For the three months ended 30 June 2020, our total cost incurred in the depreciation of property, plant and equipment and right-of-use assets also increased as compared to the same for the three months ended 30 June 2019, primarily due to the general increase in our self-owned tower cranes from 950 units to 971 units for the same period. Such increase was partially offset by the decrease in our cost incurred in the depreciation of right-of-use assets, primarily due to our decreased use of rented tower cranes from 118 units to 109 units.

Labour subcontracting cost was the second largest component of our cost of sales during the Track Record Period, representing approximately 42.3%, 37.4%, 35.5% and 40.2% of our total cost of sales for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. We had engaged third-party labour subcontractors during the Track Record Period to take up certain on-site roles, such as, operators, signal supervisors, repair and maintenance workers and handymen, depending on the different schedules or needs of our various projects. For further details of our labour subcontracting arrangement, please refer to the section headed “Business – Our business operation – Execution of projects – Labour subcontracting” in this prospectus.

During the Track Record Period, apart from our eight tower crane yards located in Hefei, Wuxi, Taicang, Chongqing and Dongguan, the PRC, we had also leased temporary warehouses ranged from a few days to few months to temporarily store our tower cranes and despatched relevant personnel to conduct requisite repair and maintenance of our tower cranes between projects to projects. Our costs incurred for these temporary warehouses and despatched relevant personnel and other miscellaneous costs, which were not able to be allocated to the cost of sales of our projects, amounted to approximately RMB46.7 million, RMB59.1 million, RMB56.9 million and RMB13.1 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively (the “**Temporary Costs**”).

For illustration purpose only, the following table sets out our cost of sales by major project type after allocating our Temporary Costs proportionately for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales
	<i>(Unaudited)</i>									
Commercial ⁽¹⁾	202,158	48.8	214,162	45.1	208,799	42.5	54,144	45.9	59,413	45.7
Residential ⁽²⁾	64,389	15.6	104,141	22.0	128,893	26.2	24,214	20.5	33,480	25.7
Infrastructure ⁽³⁾	95,520	23.1	101,470	21.4	121,422	24.7	28,958	24.6	30,465	23.4
Energy ⁽⁴⁾	51,515	12.5	54,330	11.5	32,569	6.6	10,587	9.0	6,728	5.2
Total:	413,582	100.0	474,103	100.0	491,683	100.0	117,903	100.0	130,086	100.0

Notes:

- Commercial primarily refers to our EPC projects for commercial buildings, industrial parks and shopping malls;

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2. Residential primarily refers to our EPC projects for residential properties and affordable housing;
3. Infrastructure primarily refers to our EPC projects for airports, railway stations and bridges; and
4. Energy primarily refers to our EPC projects for hydropower stations, nuclear power plants and LNG terminals.

For illustration purposes only, we set out below a sensitivity analysis of our profit for the year with reference to the fluctuation of our total labour cost (including salaries and benefits for our own project operational staff and cost for our labour subcontracting) during the Track Record Period. The following table demonstrates the impact of the hypothetical increase or decrease in our total labour cost on our profit for the periods indicated, while all other factors remain unchanged:

Sensitivity analysis on our total labour cost

	Hypothetical increase/decrease of 5%⁽¹⁾ RMB'000	Hypothetical increase/decrease of 10%⁽¹⁾ RMB'000
(Decrease)/Increase in profit before income tax for the year:		
Year ended 31 March 2018	-/+8,877	-/+17,754
Year ended 31 March 2019	-/+9,288	-/+18,575
Year ended 31 March 2020	-/+9,408	-/+18,816
Three months ended 30 June 2020	-/+2,739	-/+5,477

Note:

1. During the Track Record Period, the fluctuation of our total labour costs and the market trend of labour costs for tower crane operational staff were mainly within the range of 5% to 10%. As such, our Directors are of the view that it is prudent to use 5% and 10% in the above sensitivity analysis.

Gross profit and gross profit margin

For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our gross profit was approximately RMB135.5 million, RMB181.9 million, RMB253.2 million and RMB74.8 million, respectively, and our gross profit margin was approximately 24.7%, 27.7%, 34.0% and 36.5%, respectively.

Our gross profit increased during the Track Record Period, primarily due to our increased revenue. Our gross profit margin also increased during the Track Record Period, primarily due to the general increase in our average monthly service price of tower cranes per TM in use for the same period. Such increase was primarily the result of (i) our increased use of medium-to-large sized tower cranes in our projects (including both of the self-owned and rented tower cranes), which generally had higher unit prices as stipulated in our service contracts as agreed by our customers, from 343 units on average for the year ended 31 March 2018 to 407 units on average for the year ended 31 March 2020 and further to 454 units on average for the three months ended 30 June 2020; (ii) our strong technical capabilities in

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providing specific tower crane related solutions; and (iii) the general increase in the average monthly dry leasing price of tower cranes per TM in the PRC tower crane service market since 2018 primarily as a result of the general increase in construction projects in the PRC according to Frost & Sullivan. The general increases in our gross profit and gross profit margin during the Track Record Period were partially offset by (i) our labour subcontracting costs; and (ii) our use of rented tower cranes in projects, which in turn, affected our depreciation of right-of-use assets and rental costs of tower cranes with rental period less than one year during the Track Record Period. In addition, as we conduct our tower crane solution services on a project-by-project basis, our gross profit margin typically varies from project to project subject to the type, location, size and technical complexity of the projects and the mix of self-owned and rented tower cranes with different types and/or maximum lifting capacity we use in the projects.

For illustration purpose only, the following table sets out our gross profit and gross profit margin by our major project type after allocating the Temporary Costs to our cost of sales by major project type proportionately for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %	Gross profit margin RMB'000	Gross profit margin %
	<i>(Unaudited)</i>									
Commercial ⁽¹⁾	67,542	25.0	92,992	30.3	121,099	36.7	39,245	42.0	33,922	36.3
Residential ⁽²⁾	20,952	24.6	34,428	24.8	69,322	35.0	15,384	38.9	25,340	32.3
Infrastructure ⁽³⁾	24,579	20.5	40,097	28.3	56,780	31.9	13,761	32.2	14,541	43.1
Energy ⁽⁴⁾	22,472	30.4	14,383	20.9	6,037	15.6	3,374	24.2	999	12.9
Total:	135,545	24.7	181,900	27.7	253,238	34.0	71,764	37.8	74,802	36.5

Notes:

1. Commercial primarily refers to our EPC projects for commercial buildings, industrial parks and shopping malls;
2. Residential primarily refers to our EPC projects for residential properties and affordable housing;
3. Infrastructure primarily refers to our EPC projects for airports, railway stations and bridges; and
4. Energy primarily refers to our EPC projects for hydropower stations, nuclear power plants and LNG terminals.

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Selling and distribution expenses

Selling and distribution expenses primarily consisted of travelling expenses, entertainment expenses, salaries and benefits for sales personnel and others. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our selling and distribution expenses were approximately RMB9.9 million, RMB9.6 million, RMB12.6 million and RMB2.6 million, respectively, representing approximately 1.8%, 1.5%, 1.7% and 1.3% of our total revenue for the same period, respectively.

The following table sets out a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses	RMB'000	% of selling and distribution expenses
	<i>(Unaudited)</i>									
Travelling expenses . . .	6,003	60.8	5,428	56.8	5,677	45.0	1,755	45.0	998	37.7
Entertainment expenses . . .	1,659	16.8	1,474	15.4	3,458	27.4	1,306	33.5	893	33.8
Employees' salaries and benefits . . .	2,208	22.4	2,659	27.8	3,476	27.5	791	20.3	751	28.4
Others	-	-	-	-	12	0.1	48	1.2	3	0.1
Total:	9,870	100.0	9,561	100.0	12,623	100.0	3,900	100.0	2,645	100.0

General and administrative expenses

Our general and administrative expenses primarily consist of salaries and benefits for our management, office expenses, depreciation of property, plant and equipment and right-of-use assets, professional fees for local auditors and legal advisers and Listing expenses. For the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, our general and administrative expenses were approximately RMB49.1 million, RMB58.1 million, RMB91.8 million and RMB18.9 million, respectively, representing approximately 8.9%, 8.9%, 12.3% and 9.2% of our total revenue for the same period, respectively. Our general and administrative expenses increased during the Track Record Period, primarily as a result of our increased salaries and benefits for our management personnel and our Listing expenses for the year ended 31 March 2020 and the three months ended 30 June 2020.

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The following table sets out a breakdown of our general and administrative expenses for the periods indicated:

	Year ended 31 March						Three months ended 30 June			
	2018		2019		2020		2019		2020	
	RMB'000	% of general and administrative expenses	RMB'000	% of general and administrative expenses	RMB'000	% of general and administrative expenses	RMB'000	% of general and administrative expenses	RMB'000	% of general and administrative expenses
	<i>(Unaudited)</i>									
Employees' salaries and benefits	31,047	63.2	37,265	64.1	50,392	54.9	10,047	62.3	9,989	52.8
Office expenses	2,562	5.2	3,650	6.3	4,593	5.0	1,941	12.0	2,479	13.1
Depreciation of property, plant and equipment and right-of-use assets	8,413	17.1	7,020	12.1	7,265	7.9	2,095	13.0	2,033	10.7
Professional fees	2,047	4.2	3,190	5.5	4,883	5.3	986	6.2	846	4.5
Listing expenses	-	-	-	-	15,611	17.0	-	-	2,257	11.9
Others ⁽¹⁾	5,031	10.3	6,990	12.0	9,051	9.9	1,046	6.5	1,309	7.0
Total:	49,100	100.0	58,115	100.0	91,795	100.0	16,115	100.0	18,913	100.0

Note:

- Others primarily included insurance expenses, amortisation of intangible assets, repair expenses, rental expenses and others.

Research and development expenses

Our research and development expenses amounted to approximately RMB3.5 million, RMB5.6 million, RMB9.9 million and RMB3.3 million, representing approximately 0.6%, 0.8%, 1.3% and 1.6% of our total revenue for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. Our research and development expenses primarily included (i) salaries and benefits for our research and development team members, which amounted to approximately RMB2.5 million, RMB4.1 million, RMB6.1 million and RMB1.4 million; and (ii) material used for research and development and travelling expenses which amounted to approximately RMB0.5 million, RMB0.7 million, RMB3.6 million and RMB1.3 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. Please also refer to the section headed “Business – Research and development” in this prospectus for more details of our research and development efforts.

Our research and development expenditures were recognised as expenses in the period in which they were incurred. Cost of our research and development will be capitalised as intangible assets when certain criteria are met. For more details, please refer to note 2.6 to our financial statements included in the accountant’s report in Appendix I to this prospectus.

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Net impairment losses on financial assets and contract assets

We recorded net impairment losses on financial assets and contract assets of approximately RMB1.6 million, RMB1.3 million, RMB5.5 million and RMB0.9 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. Our net impairment losses on financial assets primarily related to our impairment provision for trade receivables. Our Group has adopted the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of all trade receivables and contract assets. The provision matrix is determined based on historical observed default rates over the expected life of our trade receivables with similar credit risk characteristics and has incorporated forward-looking information. For more details of our policy for receivable provision, please refer to the section headed “Financial Information – Certain items of consolidated statements of financial position – Trade receivables” in this prospectus.

Other income

Our other income mainly consisted of value-added tax refund and government grants. Our value-added tax refund and government grants during the Track Record Period primarily related to (i) our Jiangsu Hengxingmao, which is qualified for tax refund from 1 January 2018 to 31 December 2020 from the local government of Yizheng, Jiangsu province, the PRC; (ii) our Huaxing Tat Hong, which was qualified to receive financial support from People’s Government of Yizheng City in 2014; and (iii) our Shanghai Tat Hong, which is qualified from 1 January 2016 to 31 December 2020 to receive financial support from the local government of Pudong New District of Shanghai under the Opinions on Financial Support for Economic Development of Pudong New Area during the 13th Five-Year Plan Period (“十三五”期間浦東新區財政扶持經濟發展的意見). During the Track Record Period, our Jiangsu Hengxingmao and Shanghai Tat Hong were eligible for the value-added tax refund and/or government grants primarily as a result of the favourable policy of the relevant local government authorities towards the companies that are engaged in the financial leasing services. Both of our Jiangsu Hengxingmao and Shanghai Tat Hong are engaged in the financial leasing or rental of tower crane equipment.

The following table sets out a breakdown of our other income for the periods indicated:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Value-added tax					
refund	4,335	12,516	6,894	3,554	1,752
Government grants . .	4,298	4,269	696	435	1,084
Others ⁽¹⁾	113	2,189	2,373	93	594
Total:	8,746	18,974	9,963	4,082	3,430

Note:

1. Others primarily include insurance claim receivables and additional deduction of the input value-added taxes.

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Other (losses)/gains, net

Our net other (losses)/gains primarily include our gains or losses on financial assets or liabilities at fair value through profit or loss, net exchange gains or losses, and gains or losses on disposal of our tower cranes and related parts and components, office tool and transportation equipment. We had disposed of tower cranes during the Track Record Period as part of our fleet renewal process so that we were able to upgrade our tower cranes from time to time under our limited capital expenditure to newer and/or larger sized models, which in turn, enabled us to increase competitiveness and take on larger scale and technically complex projects. According to Frost & Sullivan, such disposals by the tower crane service providers are common in the industry. During the Track Record Period, we had also disposed of certain tower cranes within the Group on some occasions, including tower cranes that were disposed by our Huaxing Tat Hong or Zhongjian Tat Hong through Jiangsu Hengxingmao, which is a registered consignee and consignor of import and export goods (進出口貨物收發貨人) with a valid registration certificate from the Customs Declaration Unit of Changzhou of the PRC (中華人民共和國海關報關單位註冊登記證書), to Tat Hong Belt Road for the purpose of facilitating the disposals of small sized tower cranes to overseas customers in developing countries, and tower cranes that were disposed by Huaxing Tat Hong to Ronghe Tat Hong for the construction of our Yangzhou Refurbishment Centre. Our gains or losses on financial assets or liabilities at fair value through profit or loss were related to our gains or losses realised on a swap entered into between us and a bank in May 2016 to minimise the risk of our exchange fluctuation of Renminbi against SGD in relation to two of our bank borrowings denominated in SGD. Since July 2018 and up to the Latest Practicable Date, we had not entered into any foreign currency swap. Our gains or losses on exchange arose primarily from the effect of the general depreciation or appreciation of Renminbi against our cash in SGD or USD during a particular year.

The following table sets out a breakdown of our net other (losses)/gains for the periods indicated:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				<i>(Unaudited)</i>	
Fair value losses on financial liabilities at fair value through profit or loss	(1,815)	(119)	–	–	–
Exchange (losses)/gains, net	(63)	991	184	(16)	49
(Losses)/gains on disposal of property, plant and equipment . . .	(1,668)	(2,553)	280	(301)	480
Total:	<u>(3,546)</u>	<u>(1,681)</u>	<u>464</u>	<u>(317)</u>	<u>529</u>

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Finance costs and income

We recorded net finance costs of approximately RMB22.1 million, RMB37.6 million, RMB32.7 million and RMB12.2 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively. Our finance costs, which amounted to approximately RMB22.2 million, RMB38.1 million, RMB33.7 million and RMB12.3 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, represented our interest expenses on our bank borrowings and loans from a related party, interest expenses on lease liabilities and net exchange gains or losses on foreign currency borrowings. Our interest expenses on loans from a related party and net exchange gains or losses on foreign currency borrowings primarily related to our loans from our Controlling Shareholder, Tat Hong China, while our interest expenses on lease liabilities primarily related to the renting of our tower cranes and properties under HKFRS 16. For further information of our loans from Tat Hong China, please refer to the section headed “Financial Information – Indebtedness – Loans from a related party” in this prospectus. Our finance income, which amounted to approximately RMB0.1 million, RMB0.4 million, RMB1.0 million and RMB0.1 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively, represented our interest income derived from bank deposits.

Income tax expenses

Our income tax consists of current tax on profit and deferred income tax of our Group for the year. Our current tax comprises primarily PRC corporate income tax payable by our PRC subsidiaries. Under the EIT Law, our PRC subsidiaries in the PRC are subject to PRC income tax at the statutory PRC corporate income tax of 25%. In November 2018, our Huaxing Tat Hong obtained the 2018 Certificate of New and High Technology Enterprise (二零一八年度科技創新暨轉型升級工作先進單位) issued by Yizheng New Town Committee of Yizheng City, Yizheng Municipal People’s Government (中共儀征市新集鎮委員會儀征市人民政府), following which our Huaxing Tat Hong has been subject to PRC income tax at the statutory PRC corporate income tax of 15% since 2018. Our deferred income tax refers to the temporary differences arising between the tax bases of our assets and liabilities and their carrying amounts in our consolidated financial statements. Deferred income tax is determined using tax rates (and according to relevant laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. During the Track Record Period, our deferred income tax assets primarily consisted of the deductible temporary difference arising between the tax base and carry amounts of provisions, lease liabilities and tax losses. Our deferred income tax liabilities primarily consisted of the temporary difference arising between the tax base and carry amounts of property, plant and equipment and right-of-use assets. For further information, please refer to note 2.18 and note 30 in the accountant’s report in Appendix I to this prospectus. We recorded income tax expenses of approximately RMB3.5 million, RMB18.7 million, RMB34.7 million and RMB13.2 million for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively.

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Under the relevant rules and regulations of the Cayman Islands, we are not subject to any income tax in the Cayman Islands. We incorporated Tat Hong Belt Road on 21 August 2017 and we are subject to income tax of 17% in Singapore. During the Track Record Period, we did not realise profit for our Tat Hong Belt Road. As a result, we were not liability for any income tax in Singapore.

Please also refer to note 11 to our accountant's report in Appendix I to this prospectus for a more detailed discussion on our income tax.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three months ended 30 June 2020 compared with the three months ended 30 June 2019

Revenue

Our revenue increased by approximately 8.0% from approximately RMB189.7 million for the three months ended 30 June 2019 to approximately RMB204.9 million for the three months ended 30 June 2020, primarily due to the increase in our total TM in use from approximately 568,517 for the three months ended 30 June 2019 to approximately 604,712 for the three months ended 30 June 2020. In addition, the increase in our revenue was partially due to increase in our average monthly service price of tower cranes per TM in use from approximately RMB334 for the three months ended 30 June 2019 to approximately RMB339 for the three months ended 30 June 2020. Such increase in our total TM in use and our average monthly service price of tower cranes per TM in use was primarily due to (i) our increased use of medium-to-large sized tower cranes (including self-owned and rented tower cranes) in our projects that generally had higher unit prices as stipulated in our service contracts as agreed by our customers from 391 units on average for the three months ended 30 June 2019 to 454 units on average for the three months ended 30 June 2020; and (ii) our strong technical capabilities in providing specific tower crane related solutions.

Cost of sales

Our cost of sales increased by approximately 10.3% from approximately RMB117.9 million for the three months ended 30 June 2019 to approximately RMB130.1 million for the three months ended 30 June 2020. Such increase was primarily attributable to the increase in our labour subcontracting costs from approximately RMB46.0 million for the three months ended 30 June 2019 to approximately RMB52.4 million for the three months ended 30 June 2020, primarily as a result of us using more labour subcontractors as needed for our projects for the period. The increase in our cost of sales for the three months ended 30 June 2020 was also attributable to the increases in our depreciation of property, plant and equipment and repair expenses from approximately RMB47.0 million and RMB2.0 million for the three months ended 30 June 2019, respectively, to approximately RMB51.0 million and RMB4.5 million for the three months ended 30 June 2020, respectively, primarily the result of the increase in average number of our self-owned tower cranes from 950 units to 971 units for the same period.

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The increase in our cost of sales for the three months ended 30 June 2020 was partially offset by the decreases in our depreciation of right-of-use assets and rental cost less than one year from approximately RMB6.2 million and RMB3.5 million for the three months ended 30 June 2019, respectively, to approximately RMB5.5 million and RMB2.4 million for the three months ended 30 June 2020, respectively, primarily due to the decrease in average number of our rented tower cranes from 118 units to 109 units for the same period.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 4.2% from approximately RMB71.8 million for the three months ended 30 June 2019 to approximately RMB74.8 million for the three months ended 30 June 2020, while our overall gross profit margin decreased from approximately 37.8% to approximately 36.5% for the same period. The increase in our gross profit for the three months ended 30 June 2020 was primarily due to the increase in our revenue for the same period as the reasons set out above. The decrease in our gross profit margin for the three months ended 30 June 2020 was primarily due to the increase in our labour subcontracting costs by approximately 13.9% from approximately RMB46.0 million for the three months ended 30 June 2019 to approximately RMB52.4 million for the three months ended 30 June 2020 as needed for our projects and the increase in our depreciation of property, plant and equipment by approximately 8.5% from approximately RMB47.0 million to approximately RMB51.0 million for the same period, primarily as a result of the increase in average number of our self-owned tower cranes.

Nevertheless, as we conduct our tower crane solution services on a project-by-project basis, our gross profit margin typically varies from project to project subject to the type, location, size and technical complexity of the projects and the mix of self-owned or rented tower cranes with different types and/or maximum lifting capacity we use in the projects.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 32.2% from approximately RMB3.9 million for the three months ended 30 June 2019 to approximately RMB2.6 million for the three months ended 30 June 2020. Such decrease was primarily due to the decreases in travelling expenses and entertainment expenses from approximately RMB1.8 million and RMB1.3 million for the three months ended 30 June 2019, respectively, to approximately RMB1.0 million and RMB0.9 million for the three months ended 30 June 2020, respectively, primarily as a result of the outbreak of COVID-19 disease starting from the first quarter of 2020.

General and administrative expenses

Our general and administrative expenses increased by approximately 17.4% from approximately RMB16.1 million for the three months ended 30 June 2019 to approximately RMB18.9 million for the three months ended 30 June 2020. Such increase was primarily due to the increase in our office expenses from approximately RMB1.9 million for the three months

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ended 30 June 2019 to approximately RMB2.5 million for the three months ended 30 June 2020. The increase in our general and administrative expenses was also attributable to our listing expenses of approximately RMB2.3 million incurred for the period.

Research and development expenses

Our research and development expenses increased by approximately 35.0% from approximately RMB2.4 million for the three months ended 30 June 2019 to approximately RMB3.3 million for the three months ended 30 June 2020. Such increase was primarily due to the increase in our material fees for research and development by approximately 200.9% from approximately RMB0.4 million for the three months ended 30 June 2019 to approximately RMB1.3 million for the three months ended 30 June 2020, primarily the result that some of our research and development had reached the stage to use more materials.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets increased by approximately 58.0% from approximately RMB0.6 million for the three months ended 30 June 2019 to approximately RMB0.9 million for the three months ended 30 June 2020, which primarily related to our impairment provision made for our trade receivables and contract assets in accordance with the requirement of HKFRS 9. The increase in our net impairment losses on financial assets and contract assets for the three months ended 30 June 2020 was primarily due to the increases in the balance of our contract assets as at 30 June 2020 and expected credit loss rate for the three months ended 30 June 2020, mainly as a result of the impact of COVID-19 outbreak in the first quarter of 2020 on the forward-looking factors of the PRC macroeconomics.

Other income

Our other income decreased by approximately 16.0% from approximately RMB4.1 million for the three months ended 30 June 2019 to approximately RMB3.4 million for the three months ended 30 June 2020. Such decrease was primarily due to the decrease in our value-added tax refund from approximately RMB3.6 million for the three months ended 30 June 2019 to approximately RMB1.8 million for the three months ended 30 June 2020, primarily the result of Jiangsu Hengxingmao receiving less amount of value-added tax refund for the three months ended 30 June 2020. The decrease in our other income for the three months ended 30 June 2020 was partially offset by the increase in our government grants received from approximately RMB0.4 million to approximately RMB1.1 million for the same period, primarily the result of Jiangsu Hengxingmao receiving more amount of financial support from the local government for the three months ended 30 June 2020.

Other (losses)/gains, net

We recorded net other gains of approximately RMB0.5 million for the three months ended 30 June 2020 as compared to our net other losses of approximately RMB0.3 million for the three months ended 30 June 2019. Such gains were primarily due to us realising gains on

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disposal of tower cranes and related parts and components of approximately RMB0.5 million for the three months ended 30 June 2020 as compared to our losses for the same of approximately RMB0.3 million for the three months ended 30 June 2019. We had disposed of tower cranes during the Track Record Period as part of our fleet renewal process so that we were able to upgrade our tower cranes from time to time under our limited capital expenditure to newer and/or larger sized models, which in turn, enabled us to increase competitiveness and take on larger scale and technically complex projects. Our gains on disposal of tower cranes and related parts and components realised for the three months ended 30 June 2020 were primarily related to our disposal of certain small sized tower cranes.

Finance costs and income

Our finance costs increased from approximately RMB11.6 million for the three months ended 30 June 2019 to approximately RMB12.2 million for the three months ended 30 June 2020, primarily due to the increase in our interest expenses on borrowings and loans from a related party, Tat Hong China, from approximately RMB5.3 million to approximately RMB6.1 million for the same period. The increase in our finance costs was also attributable to the increase in our net exchange losses on foreign currency borrowings and loans from Tat Hong China from approximately RMB5.3 million to approximately RMB5.7 million for the same period. Our finance income was relatively stable for the three months ended 30 June 2020 as compared to the same for the three months ended 30 June 2019.

Income tax expenses

Our income tax expenses increased by approximately 12.3% from approximately RMB11.8 million for the three months ended 30 June 2019 to approximately RMB13.2 million for the three months ended 30 June 2020. The increase in our income tax expenses for the three months ended 30 June 2020 was primarily due to (i) the increase in our profit before income tax for our PRC subsidiaries; and (ii) the increase in our withholding tax provision of deferred income tax from approximately RMB1.4 million for the three months ended 30 June 2019 to approximately RMB1.7 million for the three months ended 30 June 2020.

Our effective tax rate also increased from approximately 28.8% for the three months ended 30 June 2019 to approximately 32.4% for the three months ended 30 June 2020. The increase in our effective tax rate for the three months ended 30 June 2020 was primarily due to (i) our listing expenses incurred for the period which were non-deductible from our taxable profit; and (ii) the impact of withholding tax provision of deferred income tax mentioned above.

Profit for the period

As a result of the foregoing, our profit for the period decreased by approximately 5.3% from approximately RMB29.2 million for the three months ended 30 June 2019 to approximately RMB27.6 million for the three months ended 30 June 2020.

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Year ended 31 March 2020 compared with year ended 31 March 2019

Revenue

Our revenue increased by approximately 13.6% from approximately RMB656.0 million for the year ended 31 March 2019 to approximately RMB744.9 million for the year ended 31 March 2020, primarily due to the increase in our average monthly service price of tower cranes per TM in use from approximately RMB275 for the year ended 31 March 2019 to approximately RMB326 for the year ended 31 March 2020. Such increase in our average monthly service price of tower cranes per TM in use was primarily due to the increase in our project prices, primarily the result of (i) the general increase in the average monthly dry leasing price of tower cranes per TM in the PRC tower crane service market since 2018 primarily as a result of the general increase in construction projects in the PRC according to Frost & Sullivan; (ii) our increased use of medium-to-large sized tower cranes (including both of the self-owned and rented tower cranes) in our projects that generally had higher unit prices as stipulated in our service contracts as agreed by our customers from 383 units on average for the year ended 31 March 2019 to 407 units on average for the year ended 31 March 2020; and (iii) our strong technical capabilities in providing specific tower crane related solutions.

Cost of sales

Our cost of sales increased by approximately 3.7% from approximately RMB474.1 million for the year ended 31 March 2019 to approximately RMB491.7 million for the year ended 31 March 2020. Such increase was primarily attributable to the increase in the salaries and benefits of our own project operational staff from approximately RMB8.5 million for the year ended 31 March 2019 to approximately RMB13.7 million for the year ended 31 March 2020, primarily the result that we have recruited more project operational staff for some of our energy projects as our customers, which are typically the main contractors of these projects, required us to use our own employees rather than labour subcontractors. The increase in our cost of sales for the year ended 31 March 2020 was also attributable to the increases in our repair expenses and accessories fee from approximately RMB4.3 million and RMB7.5 million for the year ended 31 March 2019, respectively, to approximately RMB13.6 million and RMB12.5 million for the year ended 31 March 2020, respectively, primarily the result of us conducting major equipment repairment during the year ended 31 March 2020. We typically conduct major repairment in every few years on some of our old models of tower cranes which are still frequently used in projects.

The increase in our cost of sales for the year ended 31 March 2020 was partially offset by (i) the decreases in our depreciation of right-of-use assets and rental cost less than one year from approximately RMB37.7 million and RMB15.5 million for the year ended 31 March 2019, respectively, to approximately RMB28.9 million and RMB12.8 million for the year ended 31 March 2020, respectively, primarily due to the decrease in average number of our rented tower cranes from 133 units to 112 units for the same period; and (ii) the decrease in our labour subcontracting costs from approximately RMB177.3 million for the year ended 31 March 2019 to approximately RMB174.4 million for the year ended 31 March 2020.

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Gross profit and gross profit margin

Our overall gross profit increased by approximately 39.2% from approximately RMB181.9 million for the year ended 31 March 2019 to approximately RMB253.2 million for the year ended 31 March 2020, while our overall gross profit margin also increased from approximately 27.7% to approximately 34.0% for the same period. The increase in our gross profit for the year ended 31 March 2020 was primarily due to the increase in our revenue for the same period. The increase in our gross profit margin for the year ended 31 March 2020 was primarily due to the increase in our average monthly service price of tower cranes per TM in use for the year ended 31 March 2020 as compared to the same for the year ended 31 March 2019, primarily for the reasons set out above. The increases in our gross profit and gross profit margins were partially offset by the increases in the salaries and benefits of our own project operational staff by approximately 61.2% and the increase in our accessories fee by approximately 66.7% from approximately RMB8.5 million and RMB7.5 million for the year ended 31 March 2019, respectively, to approximately RMB13.7 million and RMB12.5 million for the year ended 31 March 2020, respectively.

Nevertheless, as we conduct our tower crane solution services on a project-by-project basis, our gross profit margin typically varies from project to project subject to the type, location, size and technical complexity of the projects and the mix of self-owned or rented tower cranes with different types and/or maximum lifting capacity we use in the projects.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 32.0% from approximately RMB9.6 million for the year ended 31 March 2019 to approximately RMB12.6 million for the year ended 31 March 2020. Such increase was primarily due to the increases in entertainment expenses and salaries and benefits for our sales staff from approximately RMB1.5 million and RMB2.7 million for the year ended 31 March 2019, respectively, to approximately RMB3.5 million and RMB3.5 million for the year ended 31 March 2020, respectively.

General and administrative expenses

Our general and administrative expenses increased by approximately 58.0% from approximately RMB58.1 million for the year ended 31 March 2019 to approximately RMB91.8 million for the year ended 31 March 2020. Such increase was primarily due to the increase in the salaries and benefits of our management personnel from approximately RMB37.3 million for the year ended 31 March 2019 to approximately RMB50.4 million for the year ended 31 March 2020, primarily due to the increase in the number and salaries and bonus of our management personnel as a result of our better financial performance for the year ended 31 March 2020. The increase in our general and administrative expenses was also attributable to our listing expenses of approximately RMB15.6 million incurred for the year.

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Research and development expenses

Our research and development expenses increased by approximately 78.0% from approximately RMB5.6 million for the year ended 31 March 2019 to approximately RMB9.9 million for the year ended 31 March 2020. Such increase was primarily due to the increase in the salaries and benefits of our research and development personnel from approximately RMB4.1 million for the year ended 31 March 2019 to approximately RMB6.1 million for the year ended 31 March 2020, primarily as a result of the general increases in both number and salaries and benefits of our research and development team members in our certain subsidiaries, such as Huaxing Tat Hong. The increase in our research and development expenses for the year ended 31 March 2020 was also attributable to the increase in our material fees from approximately RMB0.6 million to approximately RMB2.8 million for the same period as a result of our increase in research and development effort.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets increased by approximately 307.5% from approximately RMB1.3 million for the year ended 31 March 2019 to approximately RMB5.5 million for the year ended 31 March 2020, which primarily related to our impairment provision made for our trade receivables and contract assets in accordance with the requirement of HKFRS 9. The increase in our net impairment losses on financial assets and contract assets for the year ended 31 March 2020 was primarily due to the increases in the balance of our trade receivables as at 31 March 2020 and expected credit loss rate for the year ended 31 March 2020, mainly as a result of the increase in our revenue for the year ended 31 March 2020 and the impact of COVID-19 outbreak in the first quarter of 2020 on the forward-looking factors of the PRC macroeconomics.

Other income

Our other income decreased by approximately 47.5% from approximately RMB19.0 million for the year ended 31 March 2019 to approximately RMB10.0 million for the year ended 31 March 2020. Such decrease was primarily due to the decrease in our value-added tax refund from approximately RMB12.5 million for the year ended 31 March 2019 to approximately RMB6.9 million for the year ended 31 March 2020, primarily the result of Jiangsu Hengxingmao receiving a relatively large amount of tax refund in the year ended 31 March 2019. The decrease in our other income for the year ended 31 March 2020 was also attributable to the decrease in government grants from approximately RMB4.3 million for the year ended 31 March 2019 to approximately RMB0.7 million for the year ended 31 March 2020, primarily the result of Huaxing Tat Hong receiving financial support of approximately RMB4.1 million from the local government of Yizheng, Jiangsu province in the year ended 31 March 2019.

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Other (losses)/gains, net

We recorded net other gains of approximately RMB0.5 million for the year ended 31 March 2020 as compared to our net other losses of approximately RMB1.7 million for the year ended 31 March 2019. Such gains were primarily due to our realising gains on disposal of tower cranes and related parts and components of approximately RMB0.3 million for the year ended 31 March 2020 as compared to our losses for the same of approximately RMB2.6 million for the year ended 31 March 2019. We had disposed of tower cranes during the Track Record Period as part of our fleet renewal process so that we were able to upgrade our tower cranes from time to time under our limited capital expenditure to newer and/or larger sized models, which in turn, enabled us to increase competitiveness and take on larger scale and technically complex projects. Our gains on disposal of tower cranes and related parts and components realised for the year ended 31 March 2020 were primarily related to our disposal of certain small sized tower cranes.

Finance costs and income

Our finance costs decreased from approximately RMB38.1 million for the year ended 31 March 2019 to approximately RMB33.7 million for the year ended 31 March 2020, primarily due to the decrease in our interest expenses on borrowings and loans from a related party, Tat Hong China, from approximately RMB25.9 million to approximately RMB22.7 million for the same year. The decrease in our finance costs was partially offset by the increase in our interest expenses on lease liabilities from approximately RMB4.4 million to approximately RMB4.8 million for the same period. Our finance income increased from approximately RMB0.5 million for the year ended 31 March 2019 to approximately RMB1.0 million for the year ended 31 March 2020.

Income tax expenses

Our income tax expenses increased by approximately 86.3% from approximately RMB18.7 million for the year ended 31 March 2019 to approximately RMB34.7 million for the year ended 31 March 2020. The increase in our income tax expenses for the year ended 31 March 2020 was primarily due to (i) the increase in our gross profit which led to a higher profit before income tax for the period; and (ii) the increase in our withholding tax provision of deferred income tax from approximately RMB0.3 million for the year ended 31 March 2019 to approximately RMB4.6 million for the year ended 31 March 2020. Such withholding tax provision was made based on the future dividend plan of our subsidiaries in the PRC.

In addition, we also recorded a relatively lower current income tax for the year ended 31 March 2019. Pursuant to the Circular on Enterprise Income Tax Policy concerning Deductions for Equipment and Appliances (Cai Shui 2018 54) (《關於設備、器具扣除有關企業所得稅政策的通知》(財稅[2018]54號) (the “**Circular 54**”) issued by the State Administration of Taxation, during the period from 1 January 2018 to 31 December 2020, the cost of newly purchased equipment with the original cost less than RMB5 million can be fully deducted against taxable income in the next month after the asset is put into use instead of being depreciated annually for tax filing. As such, our relatively lower current income tax for the

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year ended 31 March 2019 was primarily due to us adopting the Circular 54 for the year as our purchase costs of tower cranes and related equipment were qualified to be fully deductible from our taxable income for the year ended 31 March 2019. For the year ended 31 March 2020, we decided not to adopt the Circular 54 for tax planning reasons, and hence, recognised a relatively higher current income tax for the year ended 31 March 2020.

Our effective tax rate also increased from approximately 21.4% for the year ended 31 March 2019 to approximately 31.2% for the year ended 31 March 2020. The increase in our effective tax rate for the year ended 31 March 2020 was primarily due to (i) the increase in the losses before tax of our Company at Cayman Island level for the year ended 31 March 2020, which was not subject to income tax and primarily due to our listing expenses; and (ii) the increase in our withholding tax provision of deferred income tax as set out above.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 11.9% from approximately RMB68.3 million for the year ended 31 March 2019 to approximately RMB76.5 million for the year ended 31 March 2020.

Year ended 31 March 2019 compared with year ended 31 March 2018

Revenue

Our revenue increased by approximately 19.5% from approximately RMB549.1 million for the year ended 31 March 2018 to approximately RMB656.0 million for the year ended 31 March 2019, primarily due to the increase in the number of both of our self-owned and rented tower cranes, the majority of which had been working on-site and generating revenue. The average number of our self-owned tower cranes, taking into account our disposal of tower cranes during the same period, increased from 930 units for the year ended 31 March 2018 to 941 units for the year ended 31 March 2019, and the average number of our rented tower cranes, taking into account the return of rented tower cranes from time to time during same period, increased from 92 units to 133 units for the same period.

The increase in our revenue for the year ended 31 March 2019 was also attributable to the increase in our average monthly service price of tower cranes per TM in use from approximately RMB247 for the year ended 31 March 2018 to approximately RMB275 for the year ended 31 March 2019. Such increase in our average monthly service price of tower cranes per TM in use was primarily due to the increase in our project prices, which was mainly as a result of (i) our increased use of medium-to-large sized tower cranes (including both of the self-owned and rented tower cranes) in our projects that generally had higher unit prices as stipulated in our service contracts as agreed by our customers from 343 units on average for the year ended 31 March 2018 to 383 units on average for the year ended 31 March 2019; (ii) our strong technical capabilities in providing specific tower crane related solutions; and (iii) the general increase in the average monthly dry leasing price of tower cranes per TM in the PRC tower crane service market since 2018 primarily as a result of the general increase in construction projects in the PRC according to Frost & Sullivan.

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Cost of sales

Our cost of sales increased by approximately 14.6% from approximately RMB413.6 million for the year ended 31 March 2018 to approximately RMB474.1 million for the year ended 31 March 2019. Such increase was largely in line with the increase in our revenue for the same period, which was primarily attributable to the increase in depreciation of property, plant and equipment and right-of-use assets, which were mainly due to the depreciation of our tower cranes and related equipment as their number increased, from approximately RMB160.4 million for the year ended 31 March 2018 to approximately RMB191.9 million for the year ended 31 March 2019, and increase in our rental costs of tower cranes with rental period less than one year from approximately RMB7.4 million for the year ended 31 March 2018 to approximately RMB15.5 million for the year ended 31 March 2019.

The increase in our cost of sales for the year ended 31 March 2019 was also partially due to the increase in the salaries and benefits of our own project operational staff from approximately RMB2.6 million for the year ended 31 March 2018 to approximately RMB8.5 million for the year ended 31 March 2019. Such increase was primarily as a result of the general increases in both number and salaries and benefits of our own project operational staff.

Gross profit and gross profit margin

Our overall gross profit increased by approximately 34.2% from approximately RMB135.5 million for the year ended 31 March 2018 to approximately RMB181.9 million for the year ended 31 March 2019, while our overall gross profit margin also increased from approximately 24.7% to approximately 27.7% for the same period. The increase in our gross profit for the year ended 31 March 2019 was primarily due to the increase in our revenue for the same period. The increase in our gross profit margin for the year ended 31 March 2019 was primarily due to the increase in our average monthly service price of tower cranes per TM in use for the year ended 31 March 2019 as compared to the same for the year ended 31 March 2018, primarily for the reasons set above. The increases in our gross profit and gross profit margin were partially offset by our increase in use of rented tower cranes in projects. Such increase in our rented tower cranes had led to (i) an increase in our depreciation of right-of-use assets by approximately 53.9% from approximately RMB24.5 million for the year ended 31 March 2018 to approximately RMB37.7 million for the year ended 31 March 2019; and (ii) an increase in our rental costs of tower cranes with rental period less than one year by approximately 110.2% from approximately RMB7.4 million for the year ended 31 March 2018 to approximately RMB15.5 million for the year ended 31 March 2019, which in turn, led to lower project profit margins as compared to the same using self-owned tower cranes.

Nevertheless, as we conduct our tower crane solution services on a project-by-project basis, our gross profit margin typically varies from project to project subject to the type, location, size and technical complexity of the projects and the mix of self-owned or rented tower cranes with different types and/or maximum lifting capacity we use in the projects.

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Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 3.1% from approximately RMB9.9 million for the year ended 31 March 2018 to approximately RMB9.6 million for the year ended 31 March 2019. Such decrease was primarily due to the decrease in our travelling expenses from approximately RMB6.0 million for the year ended 31 March 2018 to approximately RMB5.4 million for the year ended 31 March 2019. The decrease in our selling and distribution expenses was partially offset by the increase in salaries and benefits for our sales staff from approximately RMB2.2 million for the year ended 31 March 2018 to approximately RMB2.7 million for the year ended 31 March 2019.

General and administrative expenses

Our general and administrative expenses increased by approximately 18.4% from approximately RMB49.1 million for the year ended 31 March 2018 to approximately RMB58.1 million for the year ended 31 March 2019. Such increase was primarily due to the increases in salaries and benefits for our management personnel from approximately RMB31.0 million for the year ended 31 March 2018 to approximately RMB37.3 million for the year ended 31 March 2019. The increase in our general and administrative expenses was partially offset by the decrease in depreciation of our software and office tools and right-of-use assets from approximately RMB8.4 million for the year ended 31 March 2018 to approximately RMB7.0 million for the year ended 31 March 2019.

Research and development expenses

Our research and development expenses increased by approximately 61.3% from approximately RMB3.5 million for the year ended 31 March 2018 to approximately RMB5.6 million for the year ended 31 March 2019. Such increase was primarily due to the increase in the salaries and benefits of our research and development personnel from approximately RMB2.5 million for the year ended 31 March 2018 to approximately RMB4.1 million for the year ended 31 March 2019, primarily as a result of the increase in our research and development team members.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets decreased by approximately 15.6% from approximately RMB1.6 million for the year ended 31 March 2018 to approximately RMB1.3 million for the year ended 31 March 2019. Such decrease was primarily due to the decrease in our impairment provision made for our trade receivables from approximately RMB1.6 million for the year ended 31 March 2018 to approximately RMB1.3 million for the year ended 31 March 2019 in accordance with the requirement of HKFRS 9.

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Other income

Our other income increased by approximately 116.9% from approximately RMB8.7 million for the year ended 31 March 2018 to approximately RMB19.0 million for the year ended 31 March 2019. Such increase was primarily due to the increase in our value-added tax refund from approximately RMB4.3 million for the year ended 31 March 2018 to approximately RMB12.5 million for the year ended 31 March 2019, primarily as a result of the tax refund obtained by Jiangsu Hengxingmao for the period.

Other (losses)/gains, net

Our net other losses decreased from approximately RMB3.5 million for the year ended 31 March 2018 to approximately RMB1.7 million for the year ended 31 March 2019. Such decrease was primarily due to (i) the decrease in our fair value losses on financial assets or liabilities at fair value through profit or loss from approximately RMB1.8 million for the year ended 31 March 2018 to approximately RMB0.1 million for the year ended 31 March 2019; and (ii) our net exchange gains of approximately RMB1.0 million as a result of the general depreciation of Renminbi against our cash in SGD or USD for the same period.

Finance costs and income

Our finance costs increased from approximately RMB22.2 million for the year ended 31 March 2018 to RMB38.1 million for the year ended 31 March 2019, primarily due to us realising net exchange losses of approximately RMB7.8 million for the year ended 31 March 2019 instead of net exchange gains of approximately RMB7.1 million for the year ended 31 March 2018 on foreign currency borrowings, which were related to our loans from Tat Hong China, as a result of the general appreciation of SGD against Renminbi for the same period. Our finance income increased from approximately RMB0.1 million for the year ended 31 March 2018 to approximately RMB0.4 million for the year ended 31 March 2019.

Income tax expenses

Our income tax expenses increased by approximately 428.6% from approximately RMB3.5 million for the year ended 31 March 2018 to approximately RMB18.7 million for the year ended 31 March 2019. Our effective tax rate also increased from approximately 6.5% for the year ended 31 March 2018 to approximately 21.4% for the year ended 31 March 2019. Such increases were primarily due to our Huaxing Tat Hong obtaining the status of a new and high technology enterprise in 2018, which in turn, led to a lower PRC corporate income tax rate from 25% to 15% effective from January 2018 and a deferred income tax benefit in 2018.

Our current tax on profit amounted to approximately RMB3.7 million for the year ended 31 March 2018 and approximately RMB1.6 million for the year ended 31 March 2019. Our relatively higher current tax on profit for the year ended 31 March 2018 was primarily due to Huaxing Tat Hong recording higher profit for the year ended 31 March 2018 and obtaining the status of a new and high technology enterprise in 2018. This status has allowed Huaxing Tat Hong to apply 15% income tax rate effective from 1 January 2018 as compared to 25% income

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tax rate which was adopted during 1 April 2017 to 31 December 2017, and the effect from changes in income tax rate of approximately RMB11.6 million for the year ended 31 March 2018 due to such change of status represented the cumulative catch-up adjustment, which was calculated based on Huaxing Tat Hong's net deferred tax liabilities as at 1 January 2018 of the financial statement under HKFRS.

On the other hand, we recorded deferred income tax benefit of approximately RMB0.2 million for the year ended 31 March 2018 and deferred income tax expenses of approximately RMB17.0 million for the year ended 31 March 2019. Our relatively lower deferred tax for the year ended 31 March 2018 was also due to Huaxing Tat Hong obtaining the status of a new and high technology enterprise in 2018, which led to a tax credit from the revision of Huaxing Tat Hong's deferred tax liabilities.

Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 33.8% from approximately RMB51.1 million for the year ended 31 March 2018 to approximately RMB68.3 million for the year ended 31 March 2019.

LIQUIDITY AND CAPITAL RESOURCES

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.

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Cash flow

As at 31 March 2018, 2019 and 2020 and 30 June 2020, we had cash and cash equivalents of RMB15.3 million, RMB36.9 million, RMB44.4 million and RMB44.9 million, respectively. The following table sets out our cash flows for the periods indicated:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Operating cash flows					
before changes in working capital . .	277,000	367,647	387,567	109,848	113,141
– Change in working capital.	6,274	(93,655)	(155,685)	(41,418)	(48,448)
– Interest paid (net)	(29,827)	(32,659)	(25,699)	(4,912)	(4,980)
– Income taxes (paid)/received .	(7,406)	(5,286)	1,098	(790)	(12,061)
Net cash inflow from operating activities	246,041	236,047	207,281	62,728	47,652
Net cash outflow from investing activities	(154,321)	(146,839)	(195,242)	(53,416)	(46,966)
Net cash (outflow)/inflow from financing activities	(123,408)	(68,579)	(4,704)	3,404	(302)
Net (decrease)/increase in cash and cash equivalents	(31,688)	20,629	7,335	12,716	384
Cash and cash equivalents at the beginning of the year/period	47,042	15,291	36,911	36,911	44,430
Effects of exchange rate changes on cash and cash equivalents	(63)	991	184	(16)	49
Cash and cash equivalents at the end of the year/period	15,291	36,911	44,430	49,611	44,863

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Cash flows generated from operating activities

We derive our cash inflow from operating activities principally from the receipt of payments for the provision of our one-stop tower crane solution services. Our cash outflow from operating activities primarily consisted of our labour subcontracting costs, salaries and benefits for our project operational staff, costs of parts, components and accessories and transportation.

For the year ended 31 March 2018, our net cash from operating activities amounted to approximately RMB246.0 million, which was primarily contributed by our profit before income tax of approximately RMB54.6 million and an increase in other operating liabilities, which were primarily related to our other payables and accruals, of approximately RMB33.8 million. Such cash inflow was partially offset by an increase in our contract assets of approximately RMB29.3 million and an increase in our trade receivables of approximately RMB15.3 million.

For the year ended 31 March 2019, our net cash from operating activities amounted to approximately RMB236.0 million, which was primarily contributed by our profit before income tax of approximately RMB87.0 million and a decrease in financial assets at fair value through other comprehensive income, which were related to our bills receivables, of approximately RMB7.8 million. Such cash inflow was partially offset by an increase in our contract assets of approximately RMB38.2 million and an increase in our trade receivables of approximately RMB40.3 million.

For the year ended 31 March 2020, our net cash from operating activities amounted to approximately RMB207.3 million, which was primarily contributed by our profit before income tax of approximately RMB111.2 million and a decrease in other operating assets, which were primarily related to our prepayments and other receivables of approximately RMB25.8 million. Such cash inflow was partially offset by an increase in our trade receivables of approximately RMB98.3 million and an increase in our contract assets of approximately RMB38.8 million.

For the three months ended 30 June 2020, our net cash from operating activities amounted to approximately RMB47.7 million, which was primarily contributed by an increase in our trade and bills payables of approximately RMB44.3 million, our profit before income tax of approximately RMB40.8 million and an increase in other operating liabilities, which were primarily related to our other payables and accruals, of approximately RMB21.2 million. Such cash inflow was partially offset by an increase in our trade receivables of approximately RMB59.3 million and an increase in our contract assets of approximately RMB55.0 million.

Cash flows used in investing activities

Our cash outflow from investing activities primarily consisted of payment for the purchases of tower cranes, property and intangible assets. Our cash inflow from investing activities primarily consisted of our proceeds from disposal of tower cranes as part of our fleet

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renewal process so that we were able to upgrade our tower cranes from time to time under our limited capital expenditure to newer and/or larger sized models, which in turn, enabled us to increase competitiveness and take on larger scale and technically complex projects.

For the year ended 31 March 2018, our net cash used in investing activities amounted to approximately RMB154.3 million, which was primarily due to our purchases of tower cranes and intangible assets of approximately RMB168.7 million. Such cash outflow was partially offset by disposal of tower cranes and other equipment of approximately RMB14.3 million.

For the year ended 31 March 2019, our net cash used in investing activities amounted to approximately RMB146.8 million, which was primarily due to our purchases of tower cranes and intangible assets of approximately RMB141.4 million and payment for the land of our Yangzhou Refurbishment Centre of approximately of RMB14.8 million. Such cash outflow was partially offset by disposal of our tower cranes and other equipment of approximately RMB23.7 million.

For the year ended 31 March 2020, our net cash used in investing activities amounted to approximately RMB195.2 million, which was primarily due to our purchases of tower cranes and intangible assets of approximately RMB200.6 million. Such cash outflow was partially offset by disposal of our tower cranes and other equipment of approximately RMB15.0 million.

For the three months ended 30 June 2020, our net cash used in investing activities amounted to approximately RMB47.0 million, which was primarily due to our purchases of tower cranes and intangible assets of approximately RMB53.0 million. Such cash outflow was partially offset by disposal of our tower cranes and other equipment of approximately RMB6.1 million.

Cash flows used in financing activities

Our cash outflow for financing activities primarily consisted our repayment of borrowings, our repayment of loans from Tat Hong China and payments for lease liabilities. Our cash inflow for financing activities primarily consisted of our proceeds from borrowings and loans from a related party, which is Tat Hong China.

For the year ended 31 March 2018, our net cash outflow from financing activities amounted to approximately RMB123.4 million, which was primarily due to our repayment of borrowings of approximately RMB415.9 million and our payments for lease liabilities of approximately RMB53.9 million. Such cash outflow was partially offset by our proceeds from borrowings of approximately RMB339.5 million.

For the year ended 31 March 2019, our net cash outflow from financing activities amounted to approximately RMB68.6 million, which was primarily due to our repayment of borrowings of approximately RMB510.6 million and our repayment of loans from Tat Hong China of approximately RMB122.1 million. Such cash outflow was partially offset by our loans from Tat Hong China of approximately RMB450.5 million and our proceeds from borrowings of approximately RMB179.0 million.

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For the year ended 31 March 2020, our net cash outflow from financing activities amounted to approximately RMB4.7 million, which was primarily due to our repayment of loans from Tat Hong China of approximately RMB88.6 million, repayment of our borrowings of approximately RMB62.8 million and payments for lease liabilities for approximately RMB39.8 million. Such cash outflow was partially offset by our proceeds from borrowings of approximately RMB141.5 million and our loans from Tat Hong China of approximately RMB61.4 million.

For the three months ended 30 June 2020, our net cash outflow from financing activities amounted to approximately RMB0.3 million, which was primarily due to our repayment of our borrowings of approximately RMB28.7 million and payments for lease liabilities for approximately RMB8.6 million. Such cash outflow was partially offset by our loans from Tat Hong China of approximately RMB20.2 million and our proceeds from borrowings of approximately RMB17.5 million.

Current assets and liabilities

The following table sets out details of our current assets and liabilities as of the dates indicated:

	As at 31 March			As at 30 June	As at 31 October
	2018	2019	2020	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>
Current assets					
Inventories	10,494	11,026	13,741	13,279	14,568
Contract assets.	88,022	166,919	206,975	241,430	216,537
Trade receivables	228,481	267,438	361,875	420,796	501,776
Prepayments and other receivables	112,820	111,253	93,094	66,091	70,231
Financial assets at fair value through other comprehensive income	16,745	8,960	11,095	12,491	12,491
Cash and cash equivalents	15,291	36,911	44,430	44,863	65,992
	471,853	602,507	731,210	798,950	881,595

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	As at 31 March			As at 30 June	As at 31 October
	2018	2019	2020	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					<i>(Unaudited)</i>
Current liabilities					
Trade and bills					
payables	169,267	173,457	151,981	199,781	157,270
Contract liabilities .	13,241	12,961	9,195	8,295	3,154
Other payables and					
accruals	95,252	77,780	82,078	123,383	122,647
Bank borrowings . .	248,184	22,125	47,208	118,691	148,058
Lease liabilities . . .	40,277	46,437	24,590	26,277	16,883
Financial liabilities					
at fair value					
through profit or					
loss	97	–	–	–	–
Provision	46,598	36,759	31,584	29,942	29,942
	612,916	369,519	346,636	506,369	447,954
Net current					
(liabilities)/					
assets	(141,063)	232,988	384,574	292,581	403,641

We recorded net current liabilities of approximately RMB141.1 million as at 31 March 2018. This was primarily the reason that we used our bank borrowings, which were classified as our current liabilities, to purchase tower cranes, which were classified as our non-current assets. As at 31 March 2019, we recorded net current assets of approximately RMB233.0 million, primarily the reason that we repaid a substantial portion of our bank borrowings primarily using our loans from a related party, which were classified as non-current liabilities. For more details of our loans from a related party, please refer to the section headed “Financial Information – Indebtedness – Loans from a related party” in this prospectus.

Our net current assets of approximately RMB233.0 million as at 31 March 2019 was also primarily due to (i) an increase in our contract assets of approximately RMB78.9 million; (ii) an increase in our trade receivables of approximately RMB39.0 million; and (iii) a decrease in our bank borrowings of approximately RMB226.1 million. The increase in our net current assets was partially offset by an increase in our trade and bills payables of approximately RMB4.2 million.

Our net current assets increased from approximately RMB233.0 million as at 31 March 2019 to approximately RMB384.6 million as at 31 March 2020. This was primarily due to (i) an increase in our trade receivables of approximately RMB94.4 million; (ii) an increase in our contract assets of approximately RMB40.1 million; and (iii) a decrease in our trade and bills

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payables of approximately RMB21.5 million. The increase in our net current assets was partially offset by (i) an increase in our bank borrowings of approximately RMB25.1 million; and (ii) a decrease in our prepayments and other receivables of approximately RMB18.2 million.

Our net current assets decreased from approximately RMB384.6 million as at 31 March 2020 to approximately RMB292.6 million as at 30 June 2020. This was primarily due to (i) an increase in our bank borrowings of approximately RMB71.5 million; (ii) an increase in our trade and bills payables of approximately RMB47.8 million; and (iii) an increase in our other payables and accruals of approximately RMB41.3 million. The decrease in our net current assets was partially offset by (i) an increase in our trade receivables of approximately RMB58.9 million; and (ii) an increase in our contract assets of approximately RMB34.5 million.

As at 31 October 2020, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our net current assets increased to approximately RMB403.6 million. This was primarily due to (i) an increase in our trade receivables of approximately RMB81.0 million; (ii) an increase in our cash and cash equivalents of approximately RMB21.1 million; and (iii) a decrease in our trade and bills payable of approximately RMB42.5 million. The increase in our net current asset was partially offset by (i) a decrease in our contract assets of approximately RMB24.9 million; and (ii) an increase of our bank borrowings (current portion) of approximately RMB29.4 million.

Working capital

As at 31 October 2020, being the latest practicable date for the purpose of indebtedness statement in this prospectus, our bank borrowings, which were all secured and/or guaranteed, amounted to approximately RMB596.6 million, which were primarily used to support our purchases of tower cranes and general working capital as our business continues to grow. As at 31 October 2020, we had unutilised banking facilities of approximately RMB4.0 million, which was equivalent to approximately 0.6% of our total banking facilities as at 31 October 2020, with no restriction on their drawdown.

Our Directors believe that after taking into consideration the financial resources available to us, including cash flows from our operations, banking facilities and estimated net proceeds from the Global Offering, we have sufficient working capital for at least 12 months commencing from the date of this prospectus.

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Inventories

Our inventories consist of parts, components and accessories used in our tower crane solution service projects. The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Parts, components and accessories	10,494	11,026	13,741	13,279

As at 31 March 2018, 2019 and 2020 and 30 June 2020, our inventories amounted to approximately RMB10.5 million, RMB11.0 million, RMB13.7 million and RMB13.3 million, respectively. Our inventories increased during the Track Record Period primarily due to our increased uses of parts, components and accessories as a result of the increase in the number of our tower cranes.

Contract assets

Our contract assets represented our residual monies, which related to our tower crane solution services that have been performed and verified by our customers but we do not have the right to bill yet pursuant to certain conditions specified in the relevant project contracts. Our contract assets of a particular project will transfer and become our trade receivables once such project is completed. Our contract assets (current portion) amounted to approximately RMB88.0 million, RMB166.9 million, RMB207.0 million and RMB241.4 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively. Our relatively higher contract assets as at 31 March 2020 and 30 June 2020 were primarily due to the outbreak of COVID-19 disease in the first quarter of 2020, which temporarily impacted the progress of our certain existing projects and caused delay to relevant projects' completion dates.

From 1 July 2020 till the Latest Practicable Date, we had billed and subsequently settled approximately RMB143.7 million and RMB45.6 million, or approximately 59.2% and 18.8%, of our contracts assets as at 30 June 2020, respectively. Based on our current project progress and provided that our receivables are collected in accordance with the terms stipulated in the relevant contracts, we expect that approximately 92.5% and 59.4% of our remaining contract assets as at 30 June 2020 will be billed and settled prior to 31 March 2021, respectively.

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As at 30 June 2020, our contract assets (current and non-current portions excluding any provisions made) amounted to approximately RMB286.4 million, As (a) our contract assets with ageing over one year were all due to the underlying projects that had long construction period; (b) all of our contract assets were from projects which were under normal progress with clear project timetable as at the Latest Practicable Date; (c) all of our contract assets were from projects that were undergone normal verification and billing process; and (d) approximately 87.9% and 8.3% of our contract assets aged over one year, respectively, were due from Chinese state-owned enterprises and listed non-state-owned enterprises, majority of which were subsidiaries and/or associates of our major customers with sound financial positions and had established long-term business relationship with us with stable payment record during the Track Record Period, our Directors believe that we have no recoverability issue for our contract assets that aged over one year.

As at 31 March 2018, 2019 and 2020 and 30 June 2020, the ageing analysis of our contract assets, based on due date, was as follows:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 180 days	92,229	104,956	117,730	145,224
181 to 365 days	31,933	44,192	53,411	72,681
1 to 2 years	22,342	32,987	43,503	49,205
Over 2 years	7,880	10,450	16,776	19,324
	154,384	192,585	231,420	286,434

Trade receivables

Our trade receivables primarily related to the receivables for our one-stop tower crane solution services provided to our customers. During our projects, we typically issue monthly invoices to our customers, which generally include 70% to 80% of the total settlement value of services we provided during the month that are verified by our customers between our previous and current monthly cut-off dates. The monthly cut-off dates of such monthly invoices vary from project to project and are also typically specified in the contracts. Our customers shall arrange payment in accordance with the payment amount in our monthly invoice within a specified period of time according to the terms specified in the contracts. Our customers typically withhold approximately 20% to 30% of each month's total settlement value as residual money. The accumulated sum of these residual monies throughout the project period will be typically held by our customers and released to us within a period from three to six months after completing all physical site work and dismantling of our tower cranes from project sites.

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We generally grant a credit period ranging from 30 to 90 days from our invoice date to our customers based on their background and operational scales, financial conditions, business relationship with us and historical payment record. We closely monitor and adjust our customers' credit ranking and payment terms from time to time. In order to enhance our future receivable collection, we have also implemented an internal customer appraisal procedure since December 2016, pursuant to which, (i) we conduct know-your-client checking on our potential customers before tendering for new projects; (ii) we update the internal project information regularly to ensure that the key personnel of our projects are kept informed at all time; (iii) we regularly and actively conduct receivable collection by all reasonable means, such as by phone or writing, or taking legal actions if appropriate; (iv) we conduct regular internal meetings to examine our outstanding receivables and making plans for further collection actions; and (v) we strictly adhere to our impairment provision and adding receivable collection as a evaluation criteria for our customers.

The following table sets out a breakdown of our trade receivables as at the dates indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	231,050	270,259	368,592	427,892
Less: provision for impairment	(2,569)	(2,821)	(6,717)	(7,096)
	228,481	267,438	361,875	420,796

As at 31 March 2018, 2019 and 2020 and 30 June 2020, our trade receivables amounted to approximately RMB228.5 million, RMB267.4 million, RMB361.9 million and RMB420.8 million, respectively. As we conduct our tower crane solution services on a project-by-project basis, our revenue recognised during the Track Record Period might fluctuate subject to the size and the progress of our projects at a given time, which in turn, affected the balance of our trade receivables and contract assets as at the end of respective year or period. Nevertheless, our relatively higher trade receivables as at 31 March 2020 and 30 June 2020 were primarily due to the outbreak of COVID-19 disease in the first quarter of 2020, which in turn, temporarily slowed down the payment process of our customers, majority of which are state-owned enterprises.

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The following table sets out the average turnover days of our trade receivables for the periods indicated:

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	Average turnover days of our trade receivables ⁽¹⁾	147	138	154

Note:

1. Average turnover days of our trade receivables equal to the average of the opening and closing balances of trade receivables for the relevant financial year/period divided by revenue for the relevant financial year/period and multiplied by 365/90 days.

The following table sets out the average turnover days of our trade receivables and contract assets for the periods indicated:

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	Average turnover days of our trade receivables and contract assets ⁽¹⁾	240	234	258

Note:

1. Average turnover days of our trade receivables and contract assets equal to the average of the opening and closing balances of trade receivables and contract assets for the relevant financial year/period divided by revenue for the relevant financial year/period and multiplied by 365/90 days.

The following table sets out our cash conversion cycle for the periods indicated:

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	Cash conversion cycle ⁽¹⁾	60	102	137

Note:

1. As our inventory was immaterial as at the end of respective financial year/period, our cash conversion cycle is calculated as the average turnover days of trade receivables and contract assets less the average turnover days of trade and bills payables as at the end of the respective financial year/period.

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During the Track Record Period, we had allowed our customers to use commercial and bank acceptance bills (the “Bills”), mostly with the maturities of 180 days, to settle their payments. Once we receive these Bills, we may choose to (i) hold the Bills till their maturities; (ii) discount certain bank acceptance bills before their maturities to support our working capital needs; or (iii) endorse these Bills to our suppliers for payment. During the Track Record Period, almost all of the commercial acceptance bills we received were issued by our customers which are large Chinese state-owned enterprises and public companies.

The following table sets out a breakdown of our bills receivables, which are classified as Level 3 financial assets at fair value through other comprehensive income under HKFRS 9, being the inputs for the asset that are not based on observable market data (i.e. unobservable inputs) and are held for collection of contractual cash flow and for selling the financial assets, as at the dates indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Commercial acceptance bills . . .	12,656	6,400	10,395	8,100
Bank acceptance bills	4,089	2,560	700	4,391
Total:	16,745	8,960	11,095	12,491

During the Track Record Period, our Level 3 financial assets, which comprised our bank and commercial acceptance bills, were held for collection of contractual cash flow and for selling the financial assets. Our senior management team members, including Ms. Dandan Wang, who is our chief financial officer and senior deputy general manager of our Group, are typically responsible for determining the policies and procedures for the fair value measurement of our financial instruments. The valuation of our bank and commercial acceptance bills, i.e. Level 3 assets, were based on expected future cash flows discounted back to present value based on the expected return rate quoted in the main state-owned bank. Considering the experience and expertise of our senior team members, our Directors are satisfied with the valuation of our Level 3 financial assets performed by our senior management team members as the level of estimation and judgement required were limited and the calculations involved were not complex given the valuation is based on a small number of individual cash flows. Based on our Directors’ understanding and evaluation upon the policies and procedures for the fair value measurement of our financial instruments, our Directors are also satisfied with the reasonableness of the policies and procedures implemented.

Further, details of the valuation of our Level 3 financial assets and the quantitative information about the significant unobservable inputs used in Level 3 fair value measurements are set forth in note 3.3 to the Accountant’s Report issued by the Reporting Accountant in accordance with the Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by

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the Hong Kong Institute of Certified Public Accountants, as set forth in Appendix I to this prospectus. The historical financial information in the Accountant's Report gives a true and fair view of the financial position of our Group and our financial performance and cash flows for the Track Record Period as a whole. The Sole Sponsor had also performed the independent due diligence in relation to the valuation of our Level 3 financial assets, including but not limited to, (i) discussed the valuation model, assumptions and inputs with our senior management; (ii) reviewed the discounted cash flow model, assumptions and inputs prepared by our senior management to ensure that there were no any material discrepancies or inconsistencies with the contracts of our bank and commercial acceptance bills, and the expected return rate quoted in main state-owned bank obtained from Wind database; and (iii) conducted background check of the issuers and endorsers of our bank and commercial acceptance bills on their financial soundness and credit to ensure that there were no insolvency.

The following table sets out the average turnover days of our trade receivables, bills receivables and contract assets for the periods indicated:

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	Average turnover days of our trade receivables, bills receivables and contract assets ⁽¹⁾	252	242	262

Note:

1. Average turnover days of our trade receivables, bills receivables and contract assets equal to the average of the opening and closing balances of trade receivables, bills receivables and contract assets for the relevant financial year/period divided by revenue for the relevant financial year/period and multiplied by 365/90 days.

Due to our effective internal measures for receivable collection, we have been able to control our average turnover days of trade receivables and contract assets over the years. Our relatively higher average turnover days of trade receivables, average turnover days of trade receivables and contract assets, average turnover days of trade receivables, bills receivables and contract assets, and cash conversion cycle for the year ended 31 March 2020 and the three months ended 30 June 2020 were primarily as a result of the outbreak of COVID-19 disease in the first quarter of 2020, which in turn, caused certain temporary business disruption and slowed down the payment process of our customers, majority of which are state-owned enterprises. The relatively higher cash conversion cycle for the year ended 31 March 2020 and the three months ended 30 June 2020 were also attributable to our decreased average turnover days of trade and bills payables during the Track Record Period. We recorded a relatively

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higher average turnover days of trade and bills payables for the year ended 31 March 2018, primarily due to us purchasing tower cranes and related parts and components amounting to approximately RMB91.1 million near the end of the year ended 31 March 2017.

As at the Latest Practicable Date, (a) approximately 95.4% and 77.6% of our trade receivables aged over one year as at 31 March 2018 and 31 March 2019 had been settled; (b) approximately 15.7% of our trade receivables aged over one year as at 30 June 2020 had been settled; (c) approximately 93.7% of our unsettled trade receivables aged over one year as at 30 June 2020 were due from the state-owned enterprises; (d) approximately 2.3% of our unsettled trade receivables aged over one year as at 30 June 2020 were due from listed non-state-owned enterprises with sound financial positions; and (e) the remaining unsettled trade receivables were primarily categorised under the age group of one to two years. Further, as confirmed by Frost & Sullivan, although it is an industrial norm that the payment approval process for Chinese state-owned enterprises are typically complicated and time consuming, state-owned enterprises and listed non-state-owned enterprises with sound financial positions generally have low recoverability issues. Based on the aforesaid, our Directors believe that we have no recoverability issue for our trade receivables that aged over one year.

As at 31 March 2018, 2019 and 2020 and 30 June 2020, the ageing analysis of our trade receivables, based on due date, was as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020 RMB'000
Current	86,920	97,196	82,452	84,821
Up to 180 days	90,904	102,129	174,397	195,769
181 to 365 days	20,518	28,792	57,027	79,540
1 to 2 years	22,076	31,966	42,601	50,289
Over 2 years	10,632	10,176	12,115	17,473
	231,050	270,259	368,592	427,892

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The following table sets out the breakdown of our subsequent settlement of our trade receivables as at the dates indicated by ageing:

	As at 31 March						As at 30 June					
	Subsequent settlement		Percentage subsequent settlement		Subsequent settlement		Percentage subsequent settlement		Subsequent settlement		Percentage subsequent settlement	
	up to the Latest Practicable Date	Trade receivables	up to the Latest Practicable Date	%	up to the Latest Practicable Date	Trade receivables	up to the Latest Practicable Date	%	up to the Latest Practicable Date	Trade receivables	up to the Latest Practicable Date	%
	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%
Current	79,009	86,920	90.9	89.6	87,122	82,452	89.6	11,484	84,821	6,622	7.8	
Up to 180 days . . .	84,008	90,904	92.4	84.1	85,872	174,397	84.1	120,087	195,769	118,967	60.8	
181 to 365 days . .	19,468	20,518	94.9	43.8	12,604	57,027	43.8	21,800	79,540	29,406	37.0	
1 to 2 years	20,673	22,076	93.6	75.1	24,020	42,601	75.1	10,156	50,289	8,419	16.7	
Over 2 years	10,531	10,632	99.1	85.2	8,672	12,115	85.2	2,665	17,473	2,208	12.6	
	213,689	231,050	92.5	80.8	218,290	368,592	80.8	166,192	427,892	165,622	38.7	

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Our Group has adopted the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of all trade receivables and contract assets. The provision matrix is determined based on historical observed default rates over the expected life of our trade receivables and contract assets with similar credit risk characteristics and has incorporated forward-looking information. Our senior management closely monitors the ageing and the recoverability of our trade receivables and contract assets and has also undertaken measures to manage the ageing of our trade receivables and contract assets. Our senior management typically assesses the expected credit losses by considering historical default rates, existing market conditions and forward-looking information and reviews the recovery status of our trade receivables from the individual customer on a case-by-case basis.

Our Directors consider that the provision for impairment of trade receivable and contract assets is a matter of judgement and it is highly dependent on each customer's characteristics, including but not limited to, the type of the customer and the recovery rate from overdue payment. Our customers generally have solid background and financial conditions, good reputation, credibility and payment records. As majority of our customers are subsidiaries or affiliates of Chinese state-owned enterprises or public companies which are also the key players in the construction industry, our receivable collection period from these customers are relatively longer which according to Frost & Sullivan, is an industrial norm as the payment approval process for these Chinese state-owned enterprise are normally complicated and time consuming.

The expected loss rates are then based on the payment profiles of our revenue over a period of at least 60 months before our balance sheet date and the corresponding historical credit losses experienced within this period. Our Directors confirmed that in the event a customer failed to pay in accordance with the expected payment schedule for a few times, we would institute a legal proceedings against the customer and such customer will generally settle the payments thereafter. The calculation of the historical loss rate shall thus also take into consideration of the historical recovery pattern from legal proceedings against our customers. The historical loss rates are also adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of our customers to settle their receivables. We have identified GDP to be the most relevant factor, and accordingly adjusted the historical loss rates based on expected changes in these factors. As at 31 March 2020 and 30 June 2020, we had incorporated the expected economic impact of COVID-19 on the GDP to the forward-looking information.

Our senior management had assessed and made impairment provision for (i) our trade receivables of approximately RMB2.6 million, RMB2.8 million, RMB6.7 million and RMB7.1 million; and (ii) our contract assets of approximately RMB14,000, RMB17,000, RMB1.6 million and RMB2.1 million, as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively, in accordance with the requirement of HKFRS 9. During the Track Record Period, we recorded a written off as uncollectible for one instance of approximately RMB1.1 million as at 31 March 2019. Such written off was related to a customer which is a private company.

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Our Directors believe that our policy for the impairment provision for trade receivables and contract assets is adequate. During the Track Record Period, we had commenced 30 legal proceedings against our customers and obtained receivables of approximately RMB24.5 million out of a total of approximately RMB27.9 million overdue receivables from these customers. Our main costs incurred in relation to these legal proceedings and the collection of the relevant overdue receivables were legal expenses for legal advisers and relevant court and administrative fees, which amounted to a total of approximately RMB0.3 million during the Track Record Period.

As at the Latest Practicable Date, approximately 93.0% of our unsettled trade receivables as at 30 June 2020 were due from the state-owned enterprises, approximately 2.4% of our unsettled trade receivables as at 30 June 2020 were due from listed non-state-owned enterprises with sound financial positions, and the remaining unsettled trade receivables were primarily categorised under the age group of one to two years. Our senior management will continue to closely monitor the ageing and the recoverability of our trade receivables, and continue to enhance the implement of our internal control policies regarding the customer risk identification.

Prepayments and other receivables

Our prepayments and other receivables primarily consist of recoverable value of added tax for our purchases, receivables for disposal of equipment, staff advance, prepayments to vendors, amounts due from related parties, prepayments to related parties and others. Our prepayments and other receivables amounted to approximately RMB112.8 million, RMB111.3 million, RMB93.1 million and RMB66.1 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively.

The following table sets out a breakdown of our prepayments and other receivables as at the dates indicated:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020 RMB'000
Recoverable value-added tax . . .	77,570	47,853	29,509	27,142
Loans to a related party	–	14,327	23,976	838
Receivables for labour costs . . .	–	17,165	7,604	6,933
Staff advances	10,253	8,361	11,354	10,356
Prepaid expenses	6,978	4,520	8,085	7,799
Prepayments to vendors	6,475	4,481	4,456	5,159
Amount due from related parties	181	2,941	21	21
Insurance claim receivables . . .	4,880	4,460	4,428	4,598
Prepayments to related parties . .	2,662	1,541	1,703	2,727
Others ⁽¹⁾	3,821	5,604	1,958	518
Total:	112,820	111,253	93,094	66,091

Note:

- Others primarily include prepaid expense, corporate tax-receivables and others.

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As at 31 March 2018, 2019 and 2020 and 30 June 2020, we had amounts due from related parties of approximately RMB0.2 million, RMB2.9 million, RMB21,000 and RMB21,000, respectively, which primarily related to our receivables from Beijing Tat Hong for the disposal of our tower cranes. As at the date of this Prospectus, we had already settled such amounts due from Beijing Tat Hong. As at 31 March 2018, 2019 and 2020 and 30 June 2020, we had prepayments to related parties of approximately RMB2.7 million, RMB1.5 million, RMB1.7 million and RMB2.7 million, respectively, primarily related to our prepayments to Yongmao Group for our purchases of tower crane parts and components. For more details of our business arrangement with related parties, please refer to the sections headed “Business – Our business arrangement with Yongmao Group” and “Connected Transactions – Non-exempt continuing connected transactions” in this prospectus.

Impairment tests for capitalised development costs

Management shall review business performance based on type of business, and there is only one business segment for our Group, which is the provision of our one-stop tower crane solution services. Our senior management typically assesses the value of capitalised development costs annually by using the value-in-use method calculated based on cash flow projections approved by the management. Our senior management has also selected our sales volume, gross margin, long-term growth rate and pre-tax discount rate as key assumptions for the cash generating unit to consider the reasonableness of our impairment testing for capitalised development costs.

The following table sets out our key assumptions for the cash generating unit in respect of impairment testing for capitalised development costs for the periods indicated:

	Year ended 31 March		
	2018	2019	2020
Sales volume (% annual growth rate) . . .	15	15	15
Gross margin (% of revenue)	33	34	34
Long-term growth rate (%)	7	7	7
Pre-tax discount rate (%)	16	16	16

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Our senior management has determined the values assigned to each of the above key assumptions as follows:

<u>Assumption</u>	<u>Approach used to determining values</u>
Sales volume	Average annual growth rate over the five-year forecast period based on past performance and management's expectations of market development
Gross margin	Based on past performance and management's expectations for the future
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate

During the Track Record Period, there were no significant changes in the competition environment of tower crane service industry and business operation model. Therefore, the sales volume growth rates, long-term growth rates and pre-tax discount rates used in impairment testing for capitalised development costs were approximate. Based on the above valuation assumptions, the recoverable amount of the capitalised development costs was estimated to exceed the carrying amount of the cash generating unit as at 31 March 2018, 2019 and 2020, respectively. Our Directors believe that any reasonable possible change in any of the above key valuation assumptions would not cause the aggregate recoverable amount to exceed its carrying amount of cash generating unit.

The recoverable amount of the cash generating unit would equal to its carrying amount if the key assumptions are to change as follows:

	<u>Year ended 31 March</u>		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Sales volume (% annual growth rate) . .	11	13	7
Gross margin (% of revenue)	28	28	29
Pre-tax discount rate (%)	19	21	22

For more details of our impairment testing for capitalised development costs, please refer to the note 19 to the accountant's report set out in Appendix I to this prospectus.

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Trade and bills payables

Our trade and bills payables primarily related to our purchases of tower cranes and related equipment, parts, components and accessories. As we conduct our tower crane services on a project-by-project basis, our costs and/or schedule of purchases incurred during the Track Record Period might fluctuate subject to the need and progress of our projects at a given time, which in turn, affected the balance of our trade and bills payables as at the end of respective year or period and average turnover days of our trade and bills payables during the Track Record Period. As at 31 March 2018, 2019 and 2020 and 30 June 2020, our trade and bills payables amounted to approximately RMB169.3 million, RMB173.5 million, RMB152.0 million and RMB199.8 million, respectively. Our suppliers generally grant us a credit period ranging from 30 to 180 days from date of billing invoices. We generally settle our payables by bank transfer. We may also endorse part of bank acceptance bills we received from our customers or issue our own commercial or bank acceptance bills to our suppliers for the settlement of our payables from time to time.

The following table sets out a breakdown of our trade and bills payables as at the dates indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	153,113	157,463	128,979	181,869
Bills payables	16,154	15,994	23,002	17,912
Total:	169,267	173,457	151,981	199,781

As at 31 March 2018, 2019 and 2020 and 30 June 2020, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on invoice date was as follows:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within three months	68,783	58,950	34,642	89,277
Between three months and one year	65,820	80,613	85,531	85,753
Between one year and two years	9,675	9,113	5,979	3,424
Between two years and three years	5,185	4,986	1,888	2,541
Between three years and five years	2,461	3,035	921	856
Over five years	1,189	766	18	18
	153,113	157,463	128,979	181,869

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The following table sets out the average turnover days of our trade and bills payables for the periods indicated:

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	Average turnover days of our trade and bills payables ⁽¹⁾ . . .	180	132	121

Note:

1. Average turnover days of our trade and bills payables equal to the average of the opening and closing balances of trade and bills payables of the relevant financial year/period divided by cost of sales of the relevant financial year/period and multiplied by 365/90 days.

As at the Latest Practicable Date, approximately RMB160.5 million or approximately 80.3% of our trade and bills payables as at 30 June 2020 had been settled.

Other payables and accruals

Our other payables and accruals primarily consist of amounts due to related parties, loans from a related party, financial lease payables, other tax payables, dividend payables, payroll and welfare payables and interest payables. Our other payables and accruals (current portion) amounted to approximately RMB95.3 million, RMB77.8 million, RMB82.1 million and RMB123.4 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively.

The following table sets out a breakdown of our other payables and accruals as at the dates indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Other tax payable	44,256	28,103	29,690	12,138
Accrued expenses	36,760	33,905	37,649	58,076
Dividend payable	–	3,603	–	–
Payroll and welfare payables .	6,403	6,962	10,592	16,467
Interest payables	2,998	175	973	2,536
Loans from a related party . .	–	–	–	30,820
Amounts due to related parties	631	633	633	633
Others ⁽¹⁾	4,204	4,399	2,541	2,713
Total:	95,252	77,780	82,078	123,383

Note:

1. Others primarily include accrued expenses for transportation, temporary warehouses, tower crane lifting expenses and others.

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As at 31 March 2018, 2019 and 2020 and 30 June 2020, we had amounts due to related parties of approximately RMB0.6 million, RMB0.6 million, RMB0.6 million and RMB0.6 million, respectively. Our amounts due to related parties during the Track Record Period related to our payables to Beijing Yongmao for the lease of property. For further details, please refer to the section headed “Connected Transactions – Discontinued connected transactions – 4. Lease of property from Beijing Yongmao” in this prospectus. Our loan from a related party as at 30 June 2020 was related to our short-term loan from our Controlling Shareholder, Tat Hong China, for the purpose of our working capital. As at the date of this Prospectus, we had already settled all our loans with our Controlling Shareholders and amounts due to related parties.

Contract liabilities

Our contract liabilities primarily represented non-refundable advance payments made by our customers before we commenced to provide services. Our contract liabilities amounted to approximately RMB13.2 million, RMB13.0 million, RMB9.2 million and RMB8.3 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively.

Provision

Our provision was primarily related to the estimated costs of installation and dismantlement of our tower cranes and other related equipment entering into and leaving from the project sites. Those costs were initially recognised as the provision and capitalised as part of machinery, and were subsequently charged to income statement as cost of sales with the depreciation of the machinery. Our provision amounted to approximately RMB46.6 million, RMB36.8 million, RMB31.6 million and RMB29.9 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively.

INDEBTEDNESS

Bank borrowings

Our bank borrowings primarily consisted of our interest-bearing bank borrowings, which during the Track Record Period, generally used by us for our purchases of tower cranes and related equipment. The relatively high balance of our bank borrowings as at 30 June 2020 was primarily due to our new loan obtained from the banks to replace our loans from our Controlling Shareholder, Tat Hong China. Our bank borrowings as at 31 March 2018, 2019 and 2020 and 30 June 2020 were mainly dominated in Renminbi and/or SGD. Our bank borrowings during the Track Record Period were primarily secured by the pledge of our trade receivables and tower cranes and also guaranteed by our Company, certain subsidiaries and their senior management and our Controlling Shareholders and certain related parties. The guarantees provided by our Controlling Shareholders and certain related parties for our bank borrowings will be released upon Listing.

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The following table sets out our bank borrowings (current and non-current portions) as at the dates indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	Bank borrowings – secured . .	391,636	64,000	141,115

The following table sets out the weighted average effective interest rate of our bank borrowings for the period indicated:

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	%	%	%	%
	SGD	2.4	2.4	4.8
RMB	5.5	5.6	6.2	6.3

As at 31 October 2020, also being the latest practicable date for the purpose of indebtedness statement in this prospectus, our bank borrowings amounted to approximately RMB596.6 million. We plan to service our indebtedness primarily using expected cash generated from operation for the two years ending 31 March 2021 and 2022, unutilised banking facilities as at 31 October 2020 amounting to approximately RMB4.0 million which was equivalent to approximately 0.6% of our total banking facilities as at 31 October 2020, with no restriction on their drawdown and estimated net proceeds from the Global Offering. Our Directors confirm that we have not had any material default with regard to any bank borrowings, and have not breached any financial covenants in our bank borrowings during the Track Record Period and up to the Latest Practicable Date. We also did not experience any difficulty in obtaining credit facilities, withdrawal of facilities, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

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Loans from a related party

During the Track Record Period, we had obtained various loans from our Controlling Shareholder, Tat Hong China, primarily used for our purchases of tower cranes and general working capital. Such loans were part of the internal funding arrangement between us and our Controlling Shareholders and as such, we had also pledged our tower cranes and provided guarantees for THSC Investments' syndication loan during the Track Record Period. As we had the right to extend the term of the loans unconditionally for more than one year, our loans from Tat Hong China were classified as our non-current liabilities. As at 31 March 2018, 2019 and 2020, our loans from Tat Hong China amounted to approximately RMB115.4 million, RMB447.6 million and RMB428.2 million, respectively. The range of the interest rates per annum for such loans was nil to 4.35%, nil to 4.86% and nil to 4.97% for the three years ended 31 March 2018, 2019 and 2020, respectively.

Whilst some of our loans from Tat Hong China were interest-bearing and others were interest-free, all our loans obtained from Tat Hong China were for the purpose of funding our Group's working capital. As such, there were no differences in the nature of such interest-bearing and interest-free loans from Tat Hong China. We have calculated the actual interest rate of our loans from Tat Hong China using all the interests accrued or paid divided by the weighted average amount of our loans from Tat Hong China. The weighted average interest rate of our loans from Tat Hong China for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 was approximately 0.80%, 2.96%, 3.53% and 4.67%, respectively, whereas the range of interest rates quoted from commercial banks for the same period was approximately 1.50% to 4.35%, 2.15% to 4.35%, 1.50% to 4.35% and 1.50% to 4.35%, respectively. For the year ended 31 March 2018, the weighted average interest rate of our loans from Tat Hong China was relatively low as compared with the range of interest rates quoted from commercial banks. For the year ended 31 March 2018, all of our interest-free loans obtained from Tat Hong China were denominated in SGD or USD. If these interest-free loans were charged with interest rate of 2% per annum as quoted from commercial banks for borrowings denominated in SGD or USD, the notional interest expenses would have been approximately RMB2.1 million, which was immaterial to our financial statements as a whole. The weighted average interest rate of our loans from Tat Hong China for the two years ended 31 March 2019 and 2020 and the three months ended 30 June 2020 was in line with the range of the interest rates quoted from commercial banks for the same period, respectively.

As at 30 June 2020, our loan from Tat Hong China, which was classified as current liabilities, amounted to approximately RMB30.8 million. The interest rate per annum of such loan was 4.67%. As at 31 October 2020, also being the latest practicable date for the purpose of indebtedness statement in this prospectus, our loan from Tat Hong China amounted to approximately RMB20.6 million. As at the date of this Prospectus, we had already settled all our loans with our Controlling Shareholders, and the associated pledges and guarantees provided by us to our Controlling Shareholders will be released before or upon Listing.

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Lease liabilities

Our lease liabilities arose primarily from our leasing of tower cranes and properties, such as our offices and eight tower crane yards, under HKFRS 16. Our lease liabilities (current and non-current portions) amounted to approximately RMB79.4 million, RMB74.9 million, RMB51.9 million and RMB47.2 million as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively. As at 31 October 2020, also being the latest practicable date for the purpose of indebtedness statement in this prospectus, our lease liabilities (current and non-current portions) amounted to approximately RMB40.2 million.

Except as disclosed above, we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees outstanding as at 30 June 2020. There were also no material covenants relating to our outstanding debt that would prevent us from raising additional bank or other external financing. Our Directors also confirm that there has not been any material change in our indebtedness since 30 June 2020 and that we do not foresee or expect any difficulties in meeting our future financial obligations.

CAPITAL EXPENDITURES

Historical capital expenditures

Our capital expenditures incurred during the Track Record Period were primarily related to our purchases of tower cranes and related equipment and our development of various patents. The following table sets out our additions on Property, plant and equipment and intangible assets during the periods indicated.

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	156,023	152,624	204,834	53,948
Intangible assets	13,946	7,574	113	45
Total:	169,969	160,198	204,947	53,993

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Planned capital expenditures

As part of our future growth strategy, we currently expect to incur additional RMB570.3 million in capital expenditures through the years ending 31 March 2021, 2022 and 2023, primarily to be used in the purchases of tower cranes and purchases of equipment for our Yangzhou Refurbishment Centre. Such capital expenditures will be primarily funded by the net proceeds from our Global Offering, working capital and bank borrowing. The following table sets out a summary of our planned capital expenditures for the periods indicated:

	Year ending 31 March		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Purchase of tower cranes . . .	140,702	201,349	199,842
Purchase of equipment and conducting foundation work for our Yangzhou Refurbishment Centre	7,178	12,400	8,904
Total:	147,880	213,749	208,746

CONTRACTUAL COMMITMENTS

Capital commitments

Our capital commitments as at 31 March 2018, 2019 and 2020 and 30 June 2020 were primarily related to the purchases of tower cranes. The following table sets out a summary of our capital commitments as at the date indicated:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for: Property, plant and equipment	18,212	20,953	8,619	5,144

Operating lease commitments

Our operating lease commitment primarily related to our leases of properties in various provinces in the PRC primarily as our representative and branch offices and temporary warehouses. Some of our non-cancellable operating lease agreements were also related to the rental of tower cranes for our projects with rental period within one year.

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The following table sets out the outstanding commitments for future minimum lease payments under our non-cancellable lease arrangements as at the dates indicated:

	As at 31 December			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	No later than 1 year.	10,491	5,813	5,704

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into various transactions with our related parties, which will continue after the Listing. These transactions primarily include but not limited to purchase and rental of tower cranes and related parts and components from Yongmao Group. Our Directors are of the view that such transactions have been carried out in the ordinary course of business of our Group and are entered into on normal commercial terms and are fair and reasonable. Please refer to the sections headed “Connected Transactions” and “Relationship with Controlling Shareholders” in this prospectus for further details of our connected transactions.

CONTINGENT LIABILITIES

Save as the disclosed contingent liabilities arising from the guarantee and pledge provided by us for the syndication loan of our Controlling Shareholder, we had no material contingent liabilities as at 31 March 2018, 2019 and 2020 and 30 June 2020. We are not involved in any current material legal proceedings, nor are we aware of any pending or potential material legal proceedings that involve our Group. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our Directors confirm that there has been no contingent liabilities of our Group since 30 June 2020.

FINANCIAL RATIOS

	Year ended 31 March			Three months ended 30 June
	2018	2019	2020	2020
	Net profit margin ⁽¹⁾	9.3%	10.4%	10.3%
Return on equity ⁽²⁾	5.7%	7.2%	7.5%	N/A ⁽⁹⁾
Return on assets ⁽³⁾	2.7%	3.6%	3.8%	N/A ⁽⁹⁾
Interest coverage ⁽⁴⁾	3.5	3.3	4.3	4.3

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	As at 31 March			As at 30 June
	2018	2019	2020	2020
	Current ratio ⁽⁵⁾	0.8	1.6	2.1
Quick ratio ⁽⁶⁾	0.8	1.6	2.1	1.6
Gearing ratio ⁽⁷⁾	64.0%	59.8%	59.2%	56.5%
Net debt to equity ⁽⁸⁾	62.3%	56.0%	55.0%	52.4%

Notes:

1. Net profit margin represents profit for the financial year/period divided by revenue for the same financial year/period;
2. Return on equity represents the profit for the financial year divided by the average of opening and closing balances of total equity as at end of the financial year;
3. Return on assets represents the profit for the financial year divided by the average of opening and closing balances of the total assets as at the end of the financial year;
4. Interest coverage represents profit before tax, finance costs and finance income divided by finance costs for the financial year/period;
5. Current ratio represents total current assets divided by total current liabilities as of the end of the financial year/period;
6. Quick ratio represents total current assets less inventories divided by total current liabilities as of the end of the financial year/period;
7. Gearing ratio represents borrowings, loans from a related party and lease liabilities divided by total equity as at the end of the financial year/period;
8. Net debt to equity ratio represents borrowings, loans from a related party and lease liabilities less cash and cash equivalents divided by total equity as at the end of the financial year/period; and
9. Such ratio is not meaningful as it is not comparable to annual numbers.

Net profit margin

Our net profit margin increased from approximately 9.3% for the year ended 31 March 2018 to approximately 10.4% for the year ended 31 March 2019, primarily as a result of the increase in our gross profit margin from approximately 24.7% for the year ended 31 March 2018 to approximately 27.7% for the year ended 31 March 2019. Such increase was primarily attribute to (i) the increase in our average monthly service price of tower cranes per TM from approximately RMB247 for the year ended 31 March 2018 to approximately RMB275 for the year ended 31 March 2019; and (ii) the increase in our other income from approximately RMB8.7 million to approximately RMB19.0 million for the same period, primarily the result of the value-added tax refund received by certain of our subsidiaries for the year. Our net profit margin was relatively stable for the year ended 31 March 2020 as compared to the same for the year ended 31 March 2019, which was approximately 10.3%. Our net profit margin increased to approximately 13.5%, primarily as a result of the increase in our gross profit margin from approximately 34.0% for the year ended 31 March 2020 to approximately 36.5% for the three months ended 30 June 2020.

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Return on equity

Our return on equity increased from approximately 5.7% for the year ended 31 March 2018 to approximately 7.2% for the year ended 31 March 2019 and further increased to approximately 7.5% for the year ended 31 March 2020. Such increases were primary due to the increases in our profit for the same periods as a result of the increase in our average monthly service price of tower cranes per TM from approximately RMB247 for the year ended 31 March 2018 to approximately RMB275 for the year ended 31 March 2019 and further to approximately RMB326 for the year ended 31 March 2020.

Return on assets

Our return on assets increased from approximately 2.7% for the year ended 31 March 2018 to approximately 3.6% for the year ended 31 March 2019 and further increased to approximately 3.8% for the year ended 31 March 2020. Such increases were also primary due to the increases in our profit for the same periods as a result of the increase in our average monthly service price of tower cranes per TM during the Track Record Period.

Interest coverage ratio

Our interest coverage decreased from approximately 3.5 for the year ended 31 March 2018 to approximately 3.3 for the year ended 31 March 2019, primarily due to the increase in our finance costs for the same period as a result of us realising net exchange losses instead of net exchange gains on our loans from Tat Hong China. Our interest coverage increased to approximately 4.3 for the year ended 31 March 2020, primarily due to the increase in our profit for the year and the decrease in our finance costs as result of the decrease in our interest expenses on borrowings and loans from Tat Hong China. Our interest coverage ratio remained stable for the three months ended 30 June 2020.

Current ratio and quick ratio

Our current ratio was approximately 0.8, 1.6, 2.1 and 1.6 and our quick ratio was approximately 0.8, 1.6, 2.1 and 1.6 as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively. Our current ratio and quick ratio both increased as at 31 March 2019 and 2020, primarily as a result of the repayment of our bank borrowings and our long-term loans from a related party and the increases in our trade receivables and contract assets for the same periods. Our current ratio and quick ratio both decreased as at 30 June 2020, primarily as a result of the new bank borrowings we obtained to settle our loans from a related party.

Gearing ratio

Our gearing ratio decreased from approximately 64.0% as at 31 March 2018 to approximately 59.8% as at 31 March 2019, primarily due to the decrease in our bank borrowings and increase in our total equity. Our gearing ratio was relatively stable as at 31 March 2020, which was approximately 59.2%. Our gearing ratio decreased to approximately 56.5% as at 30 June 2020, primarily as a result of our repayment of loans to a related party.

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Net debt to equity ratio

Our net debt to equity ratio decreased from approximately 62.3% as at 31 March 2018 to approximately 56.0% as at 31 March 2019, primarily due to the decrease in our bank borrowings and increase in our total equity. Our net debt to equity ratio was relatively stable as at 31 March 2020, which was approximately 55.0%. Our net debt to equity ratio decreased to approximately 52.4% as at 30 June 2020, primarily as a result of our repayment of loans to a related party.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various types of market risks in the ordinary course of our business, such as market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the our financial performance. We manage our exposure to these and other market risks through regular operating and financial activities.

Foreign exchange risk

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

If SGD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, would have been approximately RMB9.4 million, RMB9.8 million, RMB4.7 million and RMB22.5 million lower/higher, respectively.

If USD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the three years ended 31 March 2018, 2019 and 2020 would have been approximately RMB0.4 million, RMB4.8 million and RMB6.0 million lower/higher, respectively, and approximately RMB0.4 million higher/lower for the three months ended 30 June 2020.

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Cash flow and fair value interest rate risk

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

As at 31 March 2018, 2019 and 2020 and 30 June 2020, if interest rates increased or decreased by 50 base points and all other variables were held constant, our Group's post-tax profit would decrease or increase by approximately RMB1.5 million, RMB0.2 million, RMB0.5 million and RMB2.0 million respectively as a result of increase or decrease in net interest expense.

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

Credit risk

We are exposed to credit risk in relation to our cash and cash equivalents, pledged deposits and trade and other receivables. The carrying amounts of trade and other receivables, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk of cash and cash equivalents

To manage credit risk of cash and cash equivalents arising from bank balances, we primarily transacts with reputable banks which are all high-credit-quality financial institutions. During the Track Record Period, there had no history of default in relation to these financial institutions. The expected credit loss is close to zero.

Credit risk of contract assets and trade receivables

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

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

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

For more details, please refer to notes 3.1 to our accountant's report in Appendix I to this prospectus. Our Directors believe that our financial risk management policies are adequate.

Credit risk of other receivables

Other receivables mainly comprise deposits and other receivables. Our Directors considered the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. We compared risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition to assess whether there is a significant increase in credit risk. In particular, the following indicators are incorporated:

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

As at 31 March 2018, 2019 and 2020 and 30 June 2020, there was no significant increase in credit risk since initial recognition, our Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Our objective is to maintain adequate

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committed credit lines to ensure sufficient and flexible funding is available to our Group. Please refer to note 3.1 to the accountant's report in Appendix I to this prospectus for analysis on our Company's financial liabilities into relevant maturity groupings.

DISTRIBUTABLE RESERVES

The Cayman Islands law provides that either profit and/or share premium of a company incorporated in the Cayman Islands, such as our Company, may be distributed to members of the company, subject to the provisions, if any, of its memorandum and articles of association, provided that no distribution or dividend may be paid out of the share premium if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Our Company's reserve available for distribution as dividend comprises its profit and share premium. As at 30 June 2020, we had no profit for distribution and the share premium of our Company was RMB374.9 million.

DIVIDEND POLICY

In July 2017 and 2018 and August 2019, we declared dividends of approximately RMB3.2 million, RMB3.7 million and RMB7.9 million to our then equity holders, respectively. For the three years ended 31 March 2018, 2019 and 2020, we paid dividends of approximately RMB3.2 million, RMB0.1 million and RMB11.5 million to our then equity holders, respectively. On 23 June 2020 and 24 September 2020, our Board and Shareholders further approved dividends of approximately RMB7.6 million to our equity holders. We expect to pay these dividends to our existing Shareholders using our own working capital before Listing, and as such, our unaudited pro forma adjusted net tangible assets per Share will decrease after this dividend payment. For further details of our unaudited pro forma adjusted net tangible assets per Share, please refer to the section headed "Financial Information – Unaudited pro forma adjusted net tangible assets" in this prospectus.

After Listing, we intend to declare and pay dividends of approximately 30% of our net profit every year to our future Shareholders. Nevertheless, the declaration, payment and the amount of dividends will still be subject to our discretion and will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares.

Dividends may only be paid out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute dividends in accordance with our current plan or at all. The dividend distribution record in the past may also not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

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LISTING EXPENSES

For the year ended 31 March 2020 and the three months ended 30 June 2020, we incurred listing expenses of approximately HK\$17.1 million and HK\$2.5 million, which was charged to our consolidated statements of comprehensive income for the same year or period, respectively, and approximately HK\$5.5 million and HK\$0.8 million for the same year or period was capitalised, respectively. We expect to further incur listing expenses (including underwriting commissions) of approximately HK\$33.9 million (based on mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any discretionary incentive fees, if applicable) by the completion of the Global Offering, under which approximately HK\$12.3 million is expected to be charged to our consolidated statements of comprehensive income and approximately HK\$21.6 million is expected to be capitalised. We expect that our total listing expenses will account for approximately 10.2% of the gross proceeds from the Global Offering, and had certain impact on our profit for the year ended 31 March 2020 and the three months ended 30 June 2020. Nevertheless, our listing expenses will not have any material impact on our future business and results of operations.

RECENT DEVELOPMENT

As far as we are aware, the tower crane service industry in the PRC remained stable after the Track Record Period. Despite that we had encountered temporary closure of our business and delay of our projects during the late January to April 2020 due to the COVID-19 outbreak in January 2020 in the PRC, there was no significant change to the general business model of our Group and we did not experience any significant drop in revenue or increase in cost of sales or other costs subsequent to the Track Record Period up to the Latest Practicable Date. As at 30 June 2020, our unsatisfied performance obligations was approximately RMB712.9 million, which were primarily related to 269 projects in progress with a total outstanding contract value of approximately RMB582.0 million and 29 projects on hand with a total expected contract value of approximately RMB130.9 million.

From 1 July 2020 to 30 November 2020, we had secured an additional contract work with an expected contract value of approximately RMB332.1 million, and we had already completed contract work of approximately RMB338.5 million for the same period as compared to approximately RMB325.7 million for the period from 1 July 2019 to 30 November 2019. As such, based on our management account, our revenue and gross profit for the four months ended 31 October 2020 also increased by approximately 4.9% and 11.1% as compared to the same for the four months ended 31 October 2019, respectively. As at 30 November 2020, we had 247 projects in progress with a total outstanding contract value of approximately RMB615.8 million and 27 projects on hand with a total expected contract value of approximately RMB90.7 million. Among which, we expect to complete contract work of approximately RMB267.6 million and RMB352.6 million by the year ending 31 March 2021 and 2022, respectively.

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Impact of the COVID-19 disease to our business operation and financial performance

Starting from January 2020, the PRC, especially Wuhan city, had encountered an outbreak of the COVID-19 disease, which had caused different degrees of damage to the PRC economy. The outbreak of the COVID-19 disease had prompted the Chinese government to effectively quarantine Wuhan city and much of the surrounding regions in Hubei province, and to bar people from moving around from cities to cities, as well as to prolong the Chinese New Year holiday. The continuous outbreak of the COVID-19 disease had resulted in temporary closure of our business and delay of our projects during the late January to April 2020 (the “**critical period**”). Due to the PRC governmental travel curtailment and pandemic control measures as a result of the COVID-19 disease during the critical period, many of our employees and on-site staff who had returned to their home provinces prior to the Chinese New Year holidays, were not able to return immediately to work and/or project sites in other provinces. We had also incurred certain delay in delivery of major or larger tower crane components from project site to site due to the controlled and slower transportation between cities and provinces across the PRC.

Despite of the abovesaid, our Directors confirmed that the outbreak of the COVID-19 disease had not caused any material or adverse impact or financial damage to our Group as January to March is typically an inactive season for our business operation as a result of the Chinese New Year holidays and extreme cold weather condition. Furthermore, we have implemented a complete business contingency plan for the Group to (i) encapsulate potential risks and hazards arising from the COVID-19 outbreak; (ii) evaluate emergency situations from time to time and conduct business impact analysis to our core, infrastructural and essential business functions; and (iii) lay out an organised and systematic framework to address, tackle and prevent the possible risks and hazards arising from the COVID-19 outbreak. Under this critical circumstances, our whole Group was fully functional by flexibly working from home with full remote access by relevant management teams to our accounting systems, administrative systems, equipment tracking system and workflow tracking system. We have also temporarily reallocated various on-site staff to take part in ongoing projects that located in their home provinces before being able to return to their original project locations. Our communication system and decision-making process were well supported by online chat room, public telecoms and our iSmartCon. Since the outbreak of the COVID-19 disease and in particular, during the critical period, our senior management has been closely monitoring the situation and taking initiatives to regularly communicating with our Shareholders, employees, major customers and suppliers in order to limit the impact of the COVID-19 outbreak to our business operation and realise a smoothly transition during this difficult time.

Furthermore, after assessing our business operation and financial condition during the initial national outbreak of COVID-19 disease and the second regional outbreak in Beijing and Xinjiang Uygur Autonomous Region, we estimate that our cash and cash equivalents as at 30 November 2020 could satisfy our necessary costs for more than 12 months with the cash burn rate of approximately RMB18.6 million per month in the worst case scenario, taking into account, to the reasonable extent, our monthly fixed cash outflow, including employees’ salaries and office rental, and payment obligations, such as various payables, loan repayment and interests. In the worst case scenario, we may have to temporarily suspend our operations at some or all of our customers’ project sites if any of our on-site staff are suspected or confirmed to have contracted COVID-19, which may require us to quarantine our affected

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staff, disinfect our workplace and project sites, and reallocate manpower in order to deploy additional staff to the affected project sites. Our key assumptions of the worst case scenario include: (a) we will not generate any income due to the suspension of our business from December 2020 onwards; (b) we will not have to pay labour subcontracting fees to our labour subcontractors due to suspension of projects; (c) we will not rent additional tower cranes unless necessary and accordingly, no additional tower cranes related rental costs will be incurred; (d) other rental related payments, including rentals of offices and other miscellaneous charges are paid monthly; (e) no government grants will be received; (f) our outstanding payables of approximately RMB187.8 million as at 30 November 2020 are paid as and when they fall due; (g) our outstanding trade receivables of approximately RMB497.5 million as at 30 November 2020 are received with similar pattern as our historical receivable collection during the Track Record Period; (h) we will incur minimal operating and administrative expenses to maintain our operations at a minimal level; (i) approximately 10% or HK\$44.5 million of our net proceeds from the Global Offering will be designated to fund our working capital and other general corporate purposes; (j) our expansion plan will be delayed as a result of these conditions in the worst case scenario; (k) there will not be any further external or internal financing from banks or our Controlling Shareholders; and (l) no further dividend will be declared and paid by our Group during this worst case scenario.

The above scenario is for illustrative purposes only. Our Directors are of the view that the likelihood of the worst case scenario is extremely remote, taking into consideration that the PRC government's approach to the second regional outbreak of COVID-19 in Beijing, which has shown to be more effective and efficient as compared to the initial outbreak in Wuhan. To control the outbreak in Beijing, the PRC government has deployed more targeted measures. For example, entire groups were tested whenever an infection was found in their midst, including all the vendors at several major wet markets. Only affected apartment blocks and housing compounds close to the epicentre were locked down and only one member per household in high-risk areas was allowed to leave to purchase necessities. Our Directors confirmed that none of our project in progress located in Beijing were affected by the second outbreak of COVID-19.

As at the Latest Practicable Date, our Directors confirmed that (i) all of our 292 projects affected by the outbreak of the COVID-19 disease, including projects in progress suspended temporarily and projects on hand with delayed commencement dates, had been resumed; (ii) no projects were subject to further temporary suspension and/or delays after being resumed; (iii) we, as one of the many subcontractors of our customers, which are mainly state-owned enterprises acting as Special-tier and Tier-1 EPC contractors, were not held liable for any project delays under all of our existing contracts due to the COVID-19 outbreak; (iv) all of our employees and on-site staff and workers provided by third-party labour subcontractor providers had all resumed to duties and/or work, if necessary; and (v) we had maintained sufficient supply chain, including tower cranes and related parts, components and accessories, considering that all of our suppliers have also resumed work. Nevertheless, the actual impact of the possible future COVID-19 outbreaks to our Group may be out of our Directors' control and beyond our estimation and assessment. If the COVID-19 situation in the PRC continues for a prolonged period of time, it may materially affect our business, results of operation, financial performance and future prospects. Given that we have more than 13 years of experience and as one of the leading one-stop tower crane solution service providers in the PRC, our Directors will take prudent steps to ensure the business continuity of our Group despite the ongoing

FINANCIAL INFORMATION

health and financial crises. We will also continue to work closely with our customers to ensure that the impact of any incidents experienced due to unforeseen circumstances is minimised to its fullest extent and implement our business contingency plans.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since 30 June 2020 and there is no event since 30 June 2020 which would materially affect the information shown in the accountant's report in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of our adjusted net tangible assets, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2020. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as at 30 June 2020 or any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 <i>(Note 1)</i> RMB'000	Estimated net proceeds from the Global Offering <i>(Note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 RMB'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i> RMB HK\$	
Based on an Offer Price of HK\$1.50 per Offer Share	1,043,716	365,401	1,409,117	1.21	1.32
Based on an Offer Price of HK\$1.96 per Offer Share	1,043,716	483,760	1,527,476	1.31	1.43

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Notes:

1. The audited consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 June 2020 is extracted from the accountant's report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as at 30 June 2020 of RMB1,077,144,000 with adjustments for the intangible assets as at 30 June 2020 of RMB33,428,000;
2. The estimated net proceeds from the Global Offering are based on 291,720,000 new Shares at the indicative Offer Price of HK\$1.50 and HK\$1.96 per Offer Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB17,868,000 which have been accounted for in our Group's consolidated statements of comprehensive income prior to 30 June 2020) payable by our Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus;
3. The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 1,166,871,250 Shares were in issue assuming that the Global Offering had been completed on 30 June 2020 but takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus;
4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020 including but not limited to a dividend of RMB7,646,000, which was approved at the shareholders' meeting on 24 September 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would have been HK\$1.31 and HK\$1.42 per Share based on the Offer Price of HK\$1.50 and HK\$1.96 per Offer Share, respectively; and
5. For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.094. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business – Future strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds of the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK\$1.73 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$1.96 per Offer Share) will be approximately HK\$444.9 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately HK\$280.5 million (equivalent to approximately RMB256.4 million), representing approximately 63.0% of the net proceeds from the Global Offering, is expected to be used primarily for purchasing tower cranes. During the Track Record Period, we had been continuously purchasing tower cranes to expand our fleet. However, due to our project needs and capital constraints, we had also been strategically renting tower cranes from third-party suppliers and deployed them to our various project sites. As a consequence, the general increase in our gross margin during the Track Record Period had been partially offset by our increased use of rented tower cranes, as according to Frost & Sullivan, the gross profit margin of project using rented tower cranes are generally lower than the gross profit margin of project using self-owned tower cranes. Further, based on the purchase price and rental price of our commonly used tower crane bearing maximum lifting capacity of 301 to 900TM during Track Record Period, and taking into account (i) a 15-year of depreciation; (ii) a stable rental price for 15 years; and (iii) a prudent discount rate of 10.0%, the purchase price and the net present value of the total rental amount of such tower crane would be approximately RMB1.5 million and RMB2.3 million, respectively. As such, our Directors believe that it is cost efficient for us to purchase tower cranes instead of renting from third-party suppliers in the long-run. Frost and Sullivan also confirmed that for cost efficiency, those tower crane service providers with sufficient capital typically prefer to purchase their own tower cranes rather than renting. In the near future, we intend to purchase more tower cranes based on the current status of our projects on hand and our future business strategies, taking into account the increased business opportunities arising from the continued government spending in urbanisation and infrastructure. We plan to purchase approximately 30 tower cranes for the three months ending 31 March 2021 and at least 90 tower cranes per year for the two years ending 31 March 2022 and 2023, in particular those with lifting capacity higher than 200TM, subject to the general economic condition and government policy and business development of our Group. We will also continue to purchase tower cranes previously or currently leased by us if the models, functionalities and prices of such tower cranes are appropriate for our project needs. We believe that by owning a moderate number of medium-to-large sized tower cranes, we will be able to tender for larger and more complex projects, which in

FUTURE PLANS AND USE OF PROCEEDS

turn, will increase the revenue and profit margins for our future projects. We expect the unit price of these tower cranes to be purchased are ranged from approximately RMB5,000 to RMB8,000 per TM, depending on the models and required customisations to be made. In order to maximise the utilisation of our net proceeds from the Global Offering, we may purchase tower cranes by bank loans (if applicable), having considered our working capital status;

- approximately HK\$23.6 million (equivalent to approximately RMB21.6 million), representing approximately 5.3% of the net proceeds from the Global Offering, is expected to be used primarily for purchasing equipment and conducting foundation work for our Yangzhou Refurbishment Centre. During the past two years, almost half of our tower cranes were engaged or ready to be engaged for our projects located in the eastern China region. As such, our Directors are of the view that our Yangzhou Refurbishment Centre, which is located in the eastern China region, is able to meet our internal demand to provide extensive repair, maintenance and refurbishment services to our self-own tower cranes. In the near future, we plan to purchase a number of equipment, including but not limited to, one hydraulic disassembling tuning machine, four radial drilling machine, two robotic welding equipment, one overhead travelling crane, one set of spray printing facility and one catalytic combustion paint mist treatment equipment, to equip the mechanical and steel structure division of our Yangzhou Refurbishment Centre. We had completed our environmental valuation in April 2020 in order to build our liquid painting and polishing service work division. Upon completing such environmental valuation, we have also proceeded to obtain the manufacturing permit for the manufacture of our self-developed components and accessories. We expect the repair, maintenance and refurbishment service divisions of our Yangzhou Refurbishment Centre to be fully operational by the second quarter of 2021. Please also refer to the sections headed “Business – Our tower crane yards and Yangzhou Refurbishment Centre – Our Yangzhou Refurbishment Centre” in this prospectus for more details of our plans for the Yangzhou Refurbishment Centre;
- approximately HK\$14.2 million (equivalent to approximately RMB13.0 million), representing approximately 3.2% of the net proceeds from the Global Offering, is expected to be used primarily for the hiring of additional talent equipped with special skills to improve our service capacity and competitiveness. We plan to recruit additional personnel for our research and development team to enhance our research and development capabilities. We also plan to recruit additional engineers to enhance our hardware and software and product development to continuously refine and improve our operational productivity. In particular, we intend to hire experienced technicians for hydraulic press and frequency conversion equipment. According to Frost & Sullivan, technicians for hydraulic press and frequency conversion equipment are rare human resources in the tower crane service industry and are mostly hired by tower crane manufacturers. We believe that by recruiting these technicians will allows us to reduce our cost on tower crane repair and

FUTURE PLANS AND USE OF PROCEEDS

maintenance and also simplify our tower crane transition procedures. The following table shows the positions and number of recruits we plan to hire, the relevant specific experience and qualification required and estimated salaries per year:

Position	Specific experiences and qualification required			Estimated salaries per year (approximately RMB'000)	Number of recruits
	Minimum academic requirement	Minimum years of experience	Field of experience		
Research and development engineer	Bachelor's degree	3	Mechanical, electrical, hydraulic and mechatronics	80 to 132	22
Research and development manager	Bachelor's degree	5	Mechanical, electrical, hydraulic and mechatronics	120 to 154	4
Hardware engineers	Bachelor's degree	3	Mechanical, electrical, hydraulic and mechatronics	90 to 102	2
Software engineers	Bachelor's degree	5	Computer network and software engineering; familiar with coding languages such as JAVA and MYSQL	240 to 264	2
Technicians for hydraulic press	College	3	Mechatronics and hydraulic	61 to 92	6
Technicians for frequency conversion equipment	College	3	Electrical and Mechatronics	61 to 92	6
Quality assurance engineer	Bachelor's degree	3	Mechanical, electrical, welding, hydraulic and mechatronics	74 to 80	8
Safety environment engineer	Bachelor's degree	3	Welding, operational safety, environment and mechatronics	74 to 80	4

FUTURE PLANS AND USE OF PROCEEDS

Position	Specific experiences and qualification required			Estimated salaries per year (approximately RMB'000)	Number of recruits
	Minimum academic requirement	Minimum years of experience	Field of experience		
In-house industry expert	Bachelor's degree	15	Mechanical, electrical, welding, hydraulic and mechatronics	204 to 230	6
Operation and maintenance engineer	College or above	3	System operation and maintenance	168 to 192	2
Marketing personnel	Bachelor's degree or above	3	Experience in marketing and advertising, e-commerce, writing news articles, native written Chinese skills	108 to 132	3
Internet safety administrator	Bachelor's degree or above	5	Computer network and software engineering	168 to 192	1

- approximately HK\$82.1 million (equivalent to approximately RMB75.0 million), representing approximately 18.5% of the net proceeds from the Global Offering, is expected to be used primarily for repaying part of our bank borrowings, the balance as at the Latest Practicable Date was approximately RMB596.6 million, which was primarily used to settle borrowings from our Controlling Shareholder and repayable by 24 May 2023 with swap rate as stipulated in the facilities agreement; and
- the remaining approximately HK\$44.5 million (equivalent to approximately RMB40.7 million), representing approximately 10.0% of the net proceeds from the Global Offering, is expected to be used to fund our working capital and for general corporate purposes.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder in the Global Offering. The Selling Shareholder estimates that it will receive, in aggregate, net proceeds from the Global Offering of approximately HK\$135.1 million, after deducting the estimated underwriting commissions and expenses payable by them in the Global Offering and assuming an Offer Price of HK\$1.73 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$1.96 per Offer Share in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

If the Offer Price is set at the high end of the indicative Offer Price range, being HK\$1.96 per Offer Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase by approximately HK\$64.7 million. If the Offer Price is set at the low end of the indicative Offer Price range, being HK\$1.50 per Offer Share, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will decrease by approximately HK\$64.7 million. We will adjust the allocation of the net proceeds for the repayment of our bank borrowings.

If the Over-allotment Option is exercised in full, the net proceeds of the Global Offering will increase by approximately HK\$93.3 million, assuming the Offer Price is set at the mid-point of the indicative Offer Price range. If the Offer Price is set at the high end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$105.7 million. If the Offer Price is set at the low end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase by approximately HK\$80.9 million. We intend to apply the additional net proceeds from the exercise of the Over-allotment Option to repay our bank borrowings.

Should our Directors decide to reallocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we will hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong. We will also disclose the same in the relevant annual report.

As advised by our PRC Legal Advisers, subject to the relevant PRC governmental approval, registrations and/or filings, the net proceeds of the Global Offering can be applied in the PRC according to the above intended use of the net proceeds under the relevant existing laws and regulations in the PRC by: (i) increasing the registered capital of our subsidiary in the PRC; (ii) establishing a new subsidiary in the PRC; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loans to our subsidiary in the PRC in an amount not exceeding the difference between the investment amount and the registered capital of such subsidiary (or other amount of foreign debt determined in accordance with applicable regulations). Our Directors are of the view that there will be no material impact on our Group's liquidity requirements if the net proceeds of the Global Offering cannot be applied in the PRC.

UNDERWRITING

HONG KONG UNDERWRITERS

Fortune (HK) Securities Limited
CCB International Capital Limited
Zhongtai International Securities Limited
SPDB International Capital Limited
Valuable Capital Limited
China Everbright Securities (HK) Limited
Huabang Securities Limited
China Industrial Securities International Capital Limited
Crosby Securities Limited
China Tonghai Securities Limited
TUS Corporate Finance Limited
uSmart Securities Limited
Zhong Jia Securities Limited
Blackwell Global Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, all the Offer Shares as mentioned in this prospectus, all Shares in issue and any Shares which may be issued upon the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme by the Listing Committee and to certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Global Coordinators, for themselves and on behalf of the Underwriters, the Selling Shareholder, and our Company agreeing to the final Offer Price), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by the Joint Global Coordinators, in their absolute discretion (for themselves and on behalf of the Hong Kong Underwriters) by notice in writing to our Company at any time prior to 8:00 a.m. on the Listing Date if:

- (a) there develops, occurs, exists or comes into force:
 - (i) any event or series of events resulting in or representing a major calamity or crisis or a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, investment and credit markets and inter-bank markets) or currency exchange rate or controls in or affecting Hong Kong, Macau, the PRC, the United States, Japan, Australia, the European Union (or any member thereof), Singapore, the United Kingdom and the Cayman Islands, or any other jurisdiction relevant to any member of our Group (collectively the “**Relevant Jurisdictions**”); or
 - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions; or
 - (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), epidemic, pandemic, outbreak of infectious disease (save for COVID-19 but including without limitation SARS, MERS, H5N1, H7N9 or H1N1 or swine or avian influenza or such related/mutated forms), accident or interruption or delay in transportation or economic sanctions) in or affecting any of the Relevant Jurisdictions; or
 - (iv) without limiting the foregoing, any local, national, regional or international outbreak or escalation of hostilities, act of terrorism, or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
 - (v) the imposition or declaration of (1) any moratorium, suspension, restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, NYSE Amex Equities, the Tokyo

UNDERWRITING

Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, the Singapore Stock Exchange or (2) any moratorium on, or disruption in, banking activities (commercial or otherwise) or foreign exchange trading or securities settlement or clearing services in or affecting any of the Relevant Jurisdictions; or

- (vi) any change or development involving a change or prospective change in taxation or exchange controls (or the implementation of any exchange control) or currency exchange rates or foreign investment regulations in or affecting any of the Relevant Jurisdictions (including without limitation any fluctuation in the Hong Kong dollars or Renminbi against any foreign currencies); or
- (vii) save for the litigation claims disclosed in the search reports provided to the Sole Sponsor, the commencement by any authority or other regulatory or political body or law enforcement agency or organisation of any action or investigation against any Director, or an announcement by any authority or regulatory or political body or law enforcement agency or organisation that it intends to take any such action; or
- (viii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, the U.S. or the European Union (or any member thereof) on any of the Relevant Jurisdictions; or
- (ix) any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or the value of the Renminbi is determined by reference to a basket of world currencies or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currency; or
- (x) any change or development or event involving a prospective change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects, or any change in capital stock or long-term debt of our Company or any other member of our Group, or any loss or interference with the assets, operations or business of our Company or any other member of our Group, which (in any such case) is not set forth in this prospectus; or
- (xi) a penalty by any tax authority for payment for any tax liability for any member of our Group; or
- (xii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

UNDERWRITING

(xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Hong Kong Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law,

and which, in any such case (whether individually or in the aggregate) and in the absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (1) is or will or may be materially adverse to, or materially and prejudicially affect, the assets, liabilities, the business, general affairs, management, shareholder's equity, profit, losses, results of operations or financial or trading position or condition, or prospects of our Group as a whole; or (2) has or will or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of the Offer Share; and/or make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (3) makes or will or may make it impracticable, inadvisable, inexpedient or incapable to proceed with any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and/or the Global Offering or the delivery of Shares on the terms and in the manner contemplated by this prospectus or for any part of the Hong Kong Underwriting Agreement or the Global Offering to be performed or implemented as envisaged; or

- (b) there has come to the notice of the Joint Global Coordinators:
- (i) that any statement contained in any of the formal notice in relation to the Hong Kong Public Offering, this prospectus and the Application Forms or other documents relating to the Global Offering was or has become untrue or incorrect or incomplete in any material respect or misleading, or that any estimate, forecast, expression of opinion, intention or expectation contained in this prospectus or any notice, advertisement or announcement issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions with reference to the facts and circumstances, when taken as a whole; or
 - (ii) any matter which would, if the formal notice in relation to the Hong Kong Public Offering, this prospectus and the Application Forms or other documents relating to the Global Offering and/or any notice, advertisement or announcement issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) were issued at that time, constitute a material omission therefrom; or

UNDERWRITING

- (iii) that any of the warranties or representations given by our Company and the warrantors under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement is (or would if repeated at that time be) breached or is untrue or incorrect or incomplete or misleading in any respect; or
- (iv) any matter, event, act or omission which gives or is likely to give rise to any material liability on the part of our Company, the warrantors or any of them out of or in connection with any breach, inaccuracy and/or incorrectness of the warranties given by our Company, the warrantors or any of them under the Hong Kong Underwriting Agreement; or
- (v) any matter, event, act or omission which gives rise or is likely to give rise to any material liability of our Company, the warrantors or any of them pursuant to the indemnities under the Hong Kong Underwriting Agreement; or
- (vi) any breach of any of the obligations or undertakings of our Company, the executive Directors, the warranting controlling shareholders or the Selling Shareholder under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (vii) that (1) any Director named in this prospectus seeks to resign or retire, or is removed from office, or (2) any certificate given by our Company or any of its officers to the Joint Global Coordinators under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any material respect, or (3) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (viii) save for the litigation claims disclosed in the search reports provided to the Sole Sponsor, a contravention by any member of our Group of the Listing Rules or the Companies Ordinance or any applicable laws or regulations; or
- (ix) any material litigation, legal action or claim being threatened or instigated against any member of our Group or any Director; or
- (x) a petition is presented for the winding-up or liquidation (other than by way of voluntary winding-up) of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

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- (xi) a prohibition on our Company or the Selling Shareholder for whatever reason from allotting, issuing the Offer Shares pursuant to the terms of the Global Offering and any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options to be granted under the Share Option Scheme; or
- (xii) our Company withdraws this prospectus and/or the Application Forms; or
- (xiii) approval by the Listing Committee for the listing of, and permission to deal in, the Shares to be issued or sold (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued upon the exercise of the options to be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (xiv) any professional parties who is named as an expert in this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

Undertakings to the Stock Exchange under the Listing Rules

By us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange, our Company and the Sole Sponsor respectively that, except pursuant to the Stock Borrowing Agreement as described and contained in this prospectus, it/he shall not and shall procure that each of its/his respective associates, companies controlled by it/him, its/his respective nominees, trustees and the relevant registered holder(s) of the Shares (collectively, the “**Relevant Holders**”) shall not:

- (a) in the period commencing on the date by reference to which disclosure of his/its respective shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any

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agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owners (whether direct or indirect); or

- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that he/it would cease to be a Controlling Shareholder (as defined in the Listing Rules).

Each of our Controlling Shareholders has also undertaken to the Stock Exchange, our Company and the Sole Sponsor respectively that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will:

- (a) when he/it (or through the Relevant Holder(s)) pledges or charges any securities of the Company beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when he/it (or through the Relevant Holder(s)) receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as it has been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters by way of a public announcement to be published in accordance with the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

By us

Our Company has undertaken to each of the Sole Sponsor, Joint Global Coordinators and the Hong Kong Underwriters that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option, and the issue of any Shares pursuant to any options to be granted under the Share Option Scheme) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date which is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, and will procure that each other member of our Group will not, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

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- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) and (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) and (c) above,

in each case, whether any of the foregoing transactions specified in paragraphs (a), (b) and (c) above is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not such issue of the Shares or securities will be completed within such period). In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), our Company will take all reasonable steps to ensure that any such act will not create a disorderly or false market in the securities of our Company. Each of our warranting controlling shareholders undertake to each of the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters to use its reasonable endeavours to procure our Company to comply with the undertakings set out above.

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By our warranting controlling shareholders

Each of our warranting controlling shareholders, namely, Tat Hong Holdings, Tat Hong China and TH Straits 2015, has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Stock Borrowing Agreement and the Share Option Scheme, it will not, and will use its reasonable endeavours to procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it will, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares) provided that the restriction shall not apply to the lending of Shares pursuant to the Stock Borrowing Agreement; or (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) during the Second Six-Month Period, enter into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he/it will cease to be a Controlling Shareholder of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that he/it enters into any of the transactions specified in paragraph (i), (ii) or (iii) in paragraph (a) above or offers to or agrees to or announces any intention to effect any such transaction, he/it will take all reasonable steps to ensure that such transaction, agreement or

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announcement, as the case may be, will not, and will procure that none of the relevant registered shareholder(s) will, create a disorderly or false market in the securities of our Company; and

- (d) he/it shall, and shall procure that its respective associates and companies controlled by him/it and any nominee or trustees holding in trust for him/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/it or by the registered holder controlled by him/it of any Shares.

Underwriting Commission and Expenses

The Hong Kong Underwriters are expected to receive a commission of approximately 3.5% of the Offer Price of all the Hong Kong Offer Shares, and the International Underwriters are expected to receive a commission of approximately 3.5% of the Offer Price of all the International Offer Shares, out of which they will pay any sub-underwriting commission. We will bear the commission payable to the Underwriters, other than the Sale Shares (the underwriting commission in relation to it will be borne by the Selling Shareholder). The aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, is currently estimated to be approximately HK\$59.7 million in aggregate (based on an Offer Price of HK\$1.73 per Share, being the mid-point of the indicative Offer Price range of HK\$1.50 to HK\$1.96 per Share, and on the assumption of a commission rate of 3.5% and the Over-allotment Option not being exercised), which is to be borne by our Company. The Selling Shareholder will also pay SFC transaction levy and Stock Exchange trading fee in respect of the Sale Shares.

We may also in our sole discretion pay the International Underwriters an additional incentive fee of approximately 0.7% of the Offer Price of all the International Offer Shares.

International Offering

In connection with the International Offering, it is expected that our Company, will enter into the International Underwriting Agreement with, inter alia, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to subscribe or buy or procure subscribers or purchasers for the International Offer Shares being offered pursuant to the International Offering.

Our Company is expected to grant to the Joint Global Coordinators the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging applications under the Hong Kong Public Offering to require our Company to allot or issue up to an aggregate of 55,908,000 additional Shares, representing 15% of the initial Offer Shares in aggregate, at the same price per Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

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INDEMNITY

Each of the warrantors (except our executive Directors) under the Hong Kong Underwriting Agreement has agreed to, jointly and severally, indemnify the Sole Sponsor, the Joint Global Coordinators, and the Hong Kong Underwriters against certain losses which the Sole Sponsor, the Joint Global Coordinators, and/or the Hong Kong Underwriters may suffer, including losses arising from its performance of its obligations under the Hong Kong Underwriting Agreement and any breach by our Company and each of the warrantors under the Hong Kong Underwriting Agreement of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for their obligations under the relevant Underwriting Agreements, none of the Underwriters has any shareholding in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Global Offering (the “**Syndicate Members**”) and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on the Stock Exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

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All these activities may occur both during and after the end of the stabilisation period are described in “Structure and Conditions of the Global Offering – Stabilising action” in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of our Share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

OFFER PRICE AND PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$1.96 per Offer Share and is expected to be not less than HK\$1.50 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK\$1.96 per Share plus 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee amounting to a total of HK\$3,959.51 for one board lot of 2,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$1.96, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

DETERMINING THE OFFER PRICE

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Selling Shareholder and us on or before the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Tuesday, 5 January 2021 and in any event, no later than Friday, 8 January 2021. The Offer Price will not be more than HK\$1.96 per Offer Share and is expected to be not less than HK\$1.50 per Offer Share.

The Offer Price will be determined within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.tathongchina.com notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon with us, will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the offer statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change materially as a result of such reduction.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In the absence of any notice being published on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.tathongchina.com of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the number of Offer Shares and/or the Offer Price, if agreed by us, will under no circumstances be fewer than the number of Offer Shares or be set outside the Offer Price range as stated in this prospectus.

If we and the Selling Shareholder are unable to reach agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Offer Price on or before Tuesday, 5 January 2021, being the Price Determination Date, and, in any event, if we and the Selling Shareholder are unable to reach agreement with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Offer Price by Friday, 8 January 2021, the Global Offering will not become unconditional and will lapse immediately.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Offering and the results of application and basis of allotment of the Hong Kong Offer Shares, on Tuesday, 12 January 2021.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering and the International Offering. We intend to make available initially up to 372,720,000 Shares under the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of Over-allotment Option or any Shares which may be allotted and issued upon exercise of any option granted under the Share Option Scheme), of which 335,448,000 Shares will initially be conditionally placed pursuant to the International Offering and the remaining 37,272,000 Shares will initially be offered to the public in Hong Kong at the Offer Price under the Hong Kong Public Offering (subject, in each case, to reallocation on the basis described below under “Structure and Conditions of the Global Offering – The Hong Kong Public Offering”). We will conditionally place our Shares in the International Offering with professional, institutional, corporate and other investors whom we anticipate to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

Investors may apply for our Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to professional, institutional, corporate and other investors anticipated to have a sizeable demand for such Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional, corporate

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

and other investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to the Price Determination Date.

Allocation of our Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the Listing. Such allocation is intended to result in a distribution of Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 18,636,000 Hong Kong Offer Shares (being 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the International Underwriter(s) pursuant to the International Underwriting Agreement, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters). The Over-allotment Option gives the Joint Global Coordinators the right exercisable at any time from the Listing Date up to the thirtieth day from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to 55,908,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering if any. The Joint Global Coordinators may also cover such over-allocations by purchasing the Offer Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. In the event that the Over-allotment Option is exercised, a public announcement will be made. For further details, please refer to paragraphs headed “– The Over-allotment Option” in this section.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering is expected to be fully underwritten by the International Underwriter(s) in each case on a several basis, each being subject to the conditions set out under “Structure and Conditions of the Global Offering – Conditions of the Hong Kong Public Offering”. We entered into the Hong Kong Underwriting Agreement and, subject to an agreement on the Offer Price between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), we expect to enter into the International Underwriting Agreement on or around Tuesday, 5 January 2021. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are expected to be conditional upon each other.

THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offer (subject to agreement as to pricing and satisfaction or waiver of the other conditions set out in the Hong Kong Underwriting Agreement) for the subscription in Hong Kong of initially 37,272,000 Shares at the Offer Price (representing 10% of the total number of Shares initially available under the Global Offering). Subject to the reallocation of Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 3.2% of our Company’s issued share capital immediately after completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of Over-allotment Option or any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the absolute discretion of the Joint Global Coordinators.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

- (a) Where the International Offer Shares are fully subscribed or oversubscribed:
 - (i) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of the Offer Shares available under the Hong Kong Public Offering may be increased to 74,544,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme);
 - (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 111,816,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme);
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 149,088,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme); and
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 186,360,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (b) Where the International Offer Shares are undersubscribed:
- (i) if the Offer Shares for Hong Kong Public Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Offer Shares for Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the total number of the Offer Shares available under the Hong Kong Public Offering may be increased to no more than 74,544,000 Offer Shares, representing no more than 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme).

In accordance with Guidance Letter HKEx-GL91-18, if (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and the Offer Shares under the Hong Kong Public Offering are oversubscribed by less than 15 times of the number of Offer Shares initially available under the Hong Kong Public Offering under paragraph (a)(i); or (ii) the Offer Shares under the International Offering are undersubscribed, and the Offer Shares under the Hong Kong Public Offering are fully subscribed or oversubscribed under paragraph (b)(ii) above, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be no more than 74,544,000 Offer Shares, and the final Offer Price shall be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$1.50 per Offer Share) stated in this prospectus.

In the event of reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in circumstances under paragraph (a)(i), (a)(ii), (a)(iii), (a)(iv) and (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as they deem appropriate.

References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate solely to the Hong Kong Public Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (a) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be allotted and issued upon exercise of the options granted or to be granted under the Share Option Scheme) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in our Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

The consummation of the Hong Kong Public Offering is conditional upon, among other things, the International Offering and the Hong Kong Public Offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and we will notify the Stock Exchange immediately. We will publish or cause to be published a notice of the lapse of the Hong Kong Public Offering on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.tathongchina.com on the next day following such lapse.

In case the Hong Kong Public Offering lapses, we will return all application monies to the applicants, without interest and on the terms set out under “How to Apply for Hong Kong Offer Shares”. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving banker(s) or other bank(s) licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE INTERNATIONAL OFFERING

The number of Offer Shares to be initially offered for subscription or purchase under the International Offering will be 335,448,000 Offer Shares to be offered by us representing 90% of the Offer Shares initially available under the Global Offering. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Pursuant to the International Offering, the International Offer Shares will be conditionally placed by the International Underwriter(s), or through selling agents appointed by them, with professional, institutional, corporate and other investors anticipated to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of the Offer Shares under the Hong Kong Public Offering.

THE OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company intends to grant the Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriter(s). The Over-allotment Option gives the Joint Global Coordinators the right exercisable at any time from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require our Company to allot and issue up to 55,908,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price solely to cover over-allocations in the International Offering, if any. The Joint Global Coordinators may also cover such over-allocations by purchasing Shares in the secondary market or by a combination of purchase in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations. If the Joint Global Coordinators exercise the Over-allotment Option in full, the additional Shares to be allotted and issued by our Company will represent approximately 4.8% of our issued share capital immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of Over-allotment Option or any Shares which may be allotted and issued upon exercise of the options granted under the Share Option Scheme). In the event that the Over-allotment Option is exercised, a public announcement will be made.

In order to facilitate settlement of over-allocations in connection with the International Offering, the Stabilising Manager will enter into the Stock Borrowing Agreement with Tat Hong China. Under the Stock Borrowing Agreement, Tat Hong China will agree with the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Stabilising Manager that, if requested by the Stabilising Manager, it will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 55,908,000 Shares by way of stock lending, in order to cover over-allocations in connection with the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, provides that such stock borrowing arrangement will only be effected by the Stabilising Manager for the purpose of settling over-allocations of Shares in connection with the International Offering and covering any short position prior to the exercise of the Over-allotment Option. The maximum number of shares to be borrowed from Tat Hong China under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option. The same number of Shares so borrowed is to be returned to Tat Hong China or its nominees, as the case may be, not later than three business days following the earliest of (i) the day on which the Over-allotment Option is exercised in full, (ii) the last day on which the Over-allotment Option may be exercised by the Stabilising Manager or (iii) or such earlier time as may be agreed between the Stabilising Manager and Tat Hong China. The stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefits will be made to Tat Hong China by the Stabilising Manager or any of the International Underwriter(s) in relation to such stock borrowing arrangement.

STABILISING ACTION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise and, if possible, prevent a decline in the initial public offer prices. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws, rules and regulations of Hong Kong, over-allocate or any effect transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any stabilising activity. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be allotted, issued or sold upon exercise of the Over-allotment Option, being 55,908,000 Shares, which is 15% of the Shares initially available under the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Stabilising Manager or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or
- (ii) in connection with any action described in paragraph (i) above:
 - a. (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
 - b. stock borrowing;
 - c. exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (a) above;
 - d. sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; and/or
 - e. offer or attempt to do anything as described in paragraph (ii)(a)(2), (ii)(b), (ii)(c) or (ii)(d) above.

The Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may include a decline in the market price of our Shares. Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. A public announcement will be made within seven days after the end of the stabilisation period in accordance with the Securities and Futures (Price Stabilizing) Rules under the SFO.

Any stabilising action taken by the Stabilising Manager, or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 13 January 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 13 January 2021. The Shares will be traded on the Main Board in board lots size of 2,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Selling Shareholder and us on the Price Determination Date and subject to the other conditions set out in paragraphs headed “– Conditions of the Hong Kong Public Offering” above. We expect, shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering. Underwriting Arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at www.hkeipo.hk or by the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are an associate or a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person or a core connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk or by the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Wednesday, 30 December 2020 to 12:00 noon on Tuesday, 5 January 2021 from:

- (i) any of the following offices of the Hong Kong Underwriters:

Fortune (HK) Securities Limited	43/F, Cosco Tower, 183 Queen's Road Central, Hong Kong
CCB International Capital Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Zhongtai International Securities Limited	19/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Central, Hong Kong
SPDB International Capital Limited	33/F, SPD Bank Tower, One Hennessy, 1 Hennessy Road, Hong Kong
Valuable Capital Limited	Room 2808, 28/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

China Everbright Securities (HK) Limited	12/F, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong
Huabang Securities Limited	Unit 3308, 33/F, Enterprise Square Three, 39 Wang Chiu Road, Kowloon Bay, Hong Kong
China Industrial Securities International Capital Limited	7/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
Crosby Securities Limited	5/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong
China Tonghai Securities Limited	18/F-19/F, China Building, 29 Queen's Road Central, Hong Kong
TUS Corporate Finance Limited	15/F, Shanghai Commercial Bank Tower, 12 Queen's Road Central, Central, Hong Kong
uSmart Securities Limited	Unit 2606, 26/F, FWD Financial Centre, 308 Des Voeux Road Central, Hong Kong
Zhong Jia Securities Limited	Unit D – F, 15/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong
Blackwell Global Securities Limited	Whole of 26/F., Overseas Trust Bank Building, 160 Gloucester Road, Wanchai, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) any of the designated branches of the following receiving bank:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Johnston Road Branch	152-158 Johnston Road, Wan Chai, Hong Kong
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon
New Territories	Tai Wai Branch	74-76 Tai Wai Road, Sha Tin, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, 30 December 2020 until 12:00 noon on Tuesday, 5 January 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – TAT HONG EQUIPMENT SERVICE PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Wednesday, 30 December 2020 – 9:00 a.m. to 4:00 p.m.
Thursday, 31 December 2020 – 9:00 a.m. to 4:00 p.m.
Saturday, 2 January 2021 – 9:00 a.m. to 12:00 noon
Monday, 4 January 2021 – 9:00 a.m. to 4:00 p.m.
Tuesday, 5 January 2021 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 5 January 2021, the last application day or such later time as described in "10. Effect of bad weather and/or extreme conditions on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **HK eIPO White Form Service** for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk or by the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** service at www.hkeipo.hk or by the **IPO App** (24 hours daily, except on Tuesday, 5 January 2021, the last application day) from 9:00 a.m. on Wednesday, 30 December 2020 until 11:30 a.m. on Tuesday, 5 January 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 5 January 2021 or such later time under the “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer service centre

1/F, One & Two Exchange Square

8 Connaught Place

Central, Hong Kong

and complete an input request form. You can also collect a copy of this prospectus from this address. If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as his agent;
- **confirm** that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorise** our Company to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set forth in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set forth in any supplement to this prospectus;
- **agree** that none of our Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Act, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 30 December 2020	– 9:00 a.m. to 8:30 p.m.
Thursday, 31 December 2020	– 8:00 a.m. to 8:30 p.m.
Saturday, 2 January 2021	– 8:00 a.m. to 1:00 p.m.
Monday, 4 January 2021	– 8:00 a.m. to 8:30 p.m.
Tuesday, 5 January 2021	– 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 December 2020 until 12:00 noon on Tuesday, 5 January 2021 (24 hours daily, except on Tuesday, 5 January 2021, the last application day).

HOW TO APPLY FOR HONG KONG OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 5 January 2021, the last application day or such later time as described in “10. Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

Note:

- (1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Our Company, our Directors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon, Tuesday, 5 January 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company.

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** Service Provider in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk or by the **IPO App**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer the section headed “Structure and Conditions of the Global Offering – Pricing” in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019; and/or
- a “black” rainstorm warning.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 5 January 2021. Instead they will open between 11:45 a.m. and 12:00 noon, on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If the application lists do not open and close on Tuesday, 5 January 2021 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 12 January 2021 on our website at www.tathongchina.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our website at www.tathongchina.com and the Stock Exchange’s website at www.hkexnews.hk by no later than Tuesday, 12 January 2021;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult or from the “Allotment Result” function in the **IPO App** with a “search by ID Number/Business Registration Number” function on a 24-hour basis from 8:00 a.m. on Tuesday, 12 January 2021 to 12:00 midnight on Monday, 18 January 2021;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 12 January 2021 to Friday, 15 January 2021 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 12 January 2021 to Thursday, 14 January 2021 at all the receiving bank’s designated branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

HOW TO APPLY FOR HONG KONG OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company, and to become binding when you lodge your Application Form or give **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees or **HK eIPO White Form** Service Provider on your behalf accordingly. This collateral contract will be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

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(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, our Hong Kong Share Registrar, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(i) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(ii) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$1.96 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering – Conditions of the Global Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 12 January 2021.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, 12 January 2021. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 13 January 2021 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 January 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, 12 January 2021 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, 12 January 2021 by ordinary post and at your own risk.

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If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 12 January 2021 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m., Tuesday, 12 January 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 12 January 2021, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Tuesday, 12 January 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 12 January 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Tuesday, 12 January 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 12 January 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 12 January 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including

HOW TO APPLY FOR HONG KONG OFFER SHARES

brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 12 January 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TAT HONG EQUIPMENT SERVICE CO., LTD. AND FORTUNE FINANCIAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Tat Hong Equipment Service Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-77, which comprises the consolidated statements of financial position as at 31 March 2018, 2019 and 2020 and 30 June 2020, the statements of financial position of the Company as at 31 March 2018, 2019 and 2020 and 30 June 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 (the "Track Record Period"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 December 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 March 2018, 2019 and 2020 and 30 June 2020, and the consolidated financial position of the Group as at 31 March 2018, 2019 and 2020 and 30 June 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended 30 June 2019 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review,

nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by Tat Hong Equipment Service Co., Ltd. in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

30 December 2020

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to nearest thousand yuan (RMB'000), unless otherwise stated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March			Three months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Revenue	6	549,127	656,003	744,921	189,667	204,888
Cost of sales	9	(413,582)	(474,103)	(491,683)	(117,903)	(130,086)
Gross profit		135,545	181,900	253,238	71,764	74,802
Selling and distribution expenses	9	(9,870)	(9,561)	(12,623)	(3,900)	(2,645)
General and administrative expenses	9	(49,100)	(58,115)	(91,795)	(16,115)	(18,913)
Research and development expenses	9	(3,453)	(5,570)	(9,914)	(2,427)	(3,277)
Net impairment losses on financial assets and contract assets	3.1	(1,588)	(1,341)	(5,464)	(560)	(885)
Other income	7	8,746	18,974	9,963	4,082	3,430
Other (losses)/gains, net	8	(3,546)	(1,681)	464	(317)	529
Operating profit		76,734	124,606	143,869	52,527	53,041
Finance costs	10	(22,218)	(38,062)	(33,680)	(11,744)	(12,341)
Finance income	10	82	448	1,019	148	118
Profit before income tax		54,598	86,992	111,208	40,931	40,818
Income tax expense	11	(3,529)	(18,656)	(34,749)	(11,775)	(13,219)
Profit for the year/period		<u>51,069</u>	<u>68,336</u>	<u>76,459</u>	<u>29,156</u>	<u>27,599</u>
Profit for the year/period attributable to:						
Owners of the Company		51,069	68,336	76,459	29,156	27,599
Non-controlling interests		—	—	—	—	—
		<u>51,069</u>	<u>68,336</u>	<u>76,459</u>	<u>29,156</u>	<u>27,599</u>
Other comprehensive income/(losses), net of tax						
<i>Item that may be reclassified to profit or loss:</i>						
Currency translation difference		1	(22)	33	19	(82)
Other comprehensive income/(losses) for the year/period, net of tax		1	(22)	33	19	(82)
Total comprehensive income for the year/period, net of tax		<u>51,070</u>	<u>68,314</u>	<u>76,492</u>	<u>29,175</u>	<u>27,517</u>
Total comprehensive income for the year/period attributable to:						
Owners of the Company		51,070	68,314	76,492	29,175	27,517
Non-controlling interests		—	—	—	—	—
		<u>51,070</u>	<u>68,314</u>	<u>76,492</u>	<u>29,175</u>	<u>27,517</u>
Basic and diluted earnings per share	15	<u>0.06</u>	<u>0.08</u>	<u>0.09</u>	<u>0.03</u>	<u>0.03</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Note</i>	As at 31 March			As at
		2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	17	1,214,680	1,146,435	1,155,953	1,152,541
Right-of-use assets	18	88,393	90,799	72,013	68,855
Intangible assets	19	34,761	38,967	34,537	33,428
Deferred income tax assets	30	2,793	3,314	–	–
Contract assets	5	66,348	25,649	22,860	42,913
Other non-current assets	20	21,433	41,250	25,929	28,225
		<u>1,428,408</u>	<u>1,346,414</u>	<u>1,311,292</u>	<u>1,325,962</u>
Current assets					
Inventories	22	10,494	11,026	13,741	13,279
Contract assets	5	88,022	166,919	206,975	241,430
Trade receivables	23	228,481	267,438	361,875	420,796
Prepayments and other receivables	24	112,820	111,253	93,094	66,091
Financial assets at fair value through other comprehensive income	25	16,745	8,960	11,095	12,491
Cash and cash equivalents	27	15,291	36,911	44,430	44,863
		<u>471,853</u>	<u>602,507</u>	<u>731,210</u>	<u>798,950</u>
Total current assets		<u>471,853</u>	<u>602,507</u>	<u>731,210</u>	<u>798,950</u>
Total assets		<u>1,900,261</u>	<u>1,948,921</u>	<u>2,042,502</u>	<u>2,124,912</u>

	Note	As at 31 March			As at
		2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
LIABILITIES					
Non-current liabilities					
Borrowings	31	143,452	41,875	93,907	412,082
Lease liabilities	18	39,107	28,507	27,351	20,917
Deferred income tax liabilities	30	33,128	50,693	67,405	79,935
Other payables and accruals	33	115,368	447,642	428,209	–
Provisions	34	39,857	29,683	29,367	28,465
Total non-current liabilities		370,912	598,400	646,239	541,399
Current liabilities					
Trade and bills payables	32	169,267	173,457	151,981	199,781
Contract liabilities	5	13,241	12,961	9,195	8,295
Other payables and accruals	33	95,252	77,780	82,078	123,383
Borrowings	31	248,184	22,125	47,208	118,691
Lease liabilities	18	40,277	46,437	24,590	26,277
Financial liabilities at fair value through profit or loss	26	97	–	–	–
Provisions	34	46,598	36,759	31,584	29,942
Total current liabilities		612,916	369,519	346,636	506,369
Total liabilities		983,828	967,919	992,875	1,047,768
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	28	441,458	441,458	441,458	441,458
Reserves	29	271,506	271,956	276,307	276,225
Retained earnings		203,469	267,588	331,862	359,461
Total equity		916,433	981,002	1,049,627	1,077,144
Total equity and liabilities		1,900,261	1,948,921	2,042,502	2,124,912

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March			As at
	Note	2018	2019	2020	30 June
		RMB'000	RMB'000	RMB'000	2020
					RMB'000
ASSETS					
Non-current assets					
Prepayments and other receivables	24	–	–	–	228,225
Investment in subsidiaries	16	807,423	894,842	894,842	894,842
		<u>807,423</u>	<u>894,842</u>	<u>894,842</u>	<u>1,123,067</u>
Current asset					
Prepayments and other receivables	24	3,039	4,926	10,120	52,606
Cash and cash equivalents		686	68	12,869	15,800
		<u>3,725</u>	<u>4,994</u>	<u>22,989</u>	<u>68,406</u>
Total assets		<u>811,148</u>	<u>899,836</u>	<u>917,831</u>	<u>1,191,473</u>
LIABILITIES					
Non-current liabilities					
Other payables and accruals	33	6,503	94,722	132,997	–
Borrowings	31	–	–	–	323,876
		<u>6,503</u>	<u>94,722</u>	<u>132,997</u>	<u>323,876</u>
Current liabilities					
Other payables and accruals	33	424	4,337	9,761	30,100
Borrowings	31	–	–	–	63,950
Financial liabilities at fair value through profit or loss	26	97	–	–	–
		<u>521</u>	<u>4,337</u>	<u>9,761</u>	<u>94,050</u>
Total liabilities		<u>7,024</u>	<u>99,059</u>	<u>142,758</u>	<u>417,926</u>
EQUITY					
Share capital	28	441,458	441,458	441,458	441,458
Share premium	29	374,936	374,936	374,936	374,936
Accumulated losses		(12,270)	(15,617)	(41,321)	(42,847)
Total equity		<u>804,124</u>	<u>800,777</u>	<u>775,073</u>	<u>773,547</u>
Total equity and liabilities		<u>811,148</u>	<u>899,836</u>	<u>917,831</u>	<u>1,191,473</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 April 2017	138,685	546,378	26,205	–	157,248	868,516
Profit for the year	–	–	–	–	51,069	51,069
Other comprehensive income:						
– Currency translation difference	–	–	–	1	–	1
Total comprehensive income	–	–	–	1	51,069	51,070
Dividends (Note 14)	–	–	–	–	(3,153)	(3,153)
Statutory reserve	–	–	1,695	–	(1,695)	–
Issue of shares (Note 28)	441,458	–	–	–	–	441,458
Repurchase of shares (Note 28)	(138,685)	(302,773)	–	–	–	(441,458)
At 31 March 2018	<u>441,458</u>	<u>243,605</u>	<u>27,900</u>	<u>1</u>	<u>203,469</u>	<u>916,433</u>
At 1 April 2018	441,458	243,605	27,900	1	203,469	916,433
Profit for the year	–	–	–	–	68,336	68,336
Other comprehensive loss:						
– Currency translation difference	–	–	–	(22)	–	(22)
Total comprehensive income	–	–	–	(22)	68,336	68,314
Dividends (Note 14)	–	–	–	–	(3,745)	(3,745)
Statutory reserve	–	–	472	–	(472)	–
At 31 March 2019	<u>441,458</u>	<u>243,605</u>	<u>28,372</u>	<u>(21)</u>	<u>267,588</u>	<u>981,002</u>
At 1 April 2019	441,458	243,605	28,372	(21)	267,588	981,002
Profit for the year	–	–	–	–	76,459	76,459
Other comprehensive income:						
– Currency translation difference	–	–	–	33	–	33
Total comprehensive income	–	–	–	33	76,459	76,492
Dividends (Note 14)	–	–	–	–	(7,867)	(7,867)
Statutory reserve	–	–	4,318	–	(4,318)	–
At 31 March 2020	<u>441,458</u>	<u>243,605</u>	<u>32,690</u>	<u>12</u>	<u>331,862</u>	<u>1,049,627</u>

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 April 2020	441,458	243,605	32,690	12	331,862	1,049,627
Profit for the period	–	–	–	–	27,599	27,599
Other comprehensive loss:						
– Currency translation difference	–	–	–	(82)	–	(82)
Total comprehensive income	–	–	–	(82)	27,599	27,517
At 30 June 2020	<u>441,458</u>	<u>243,605</u>	<u>32,690</u>	<u>(70)</u>	<u>359,461</u>	<u>1,077,144</u>
(Unaudited)						
At 1 April 2019	441,458	243,605	28,372	(21)	267,588	981,002
Profit for the period	–	–	–	–	29,156	29,156
Other comprehensive income:						
– Currency translation difference	–	–	–	19	–	19
Total comprehensive income	–	–	–	19	29,156	29,175
At 30 June 2019	<u>441,458</u>	<u>243,605</u>	<u>28,372</u>	<u>(2)</u>	<u>296,744</u>	<u>1,010,177</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March			Three months ended 30 June	
		2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Cash flows from operating activities						
Cash generated from operations	35	283,274	273,992	231,882	68,430	64,693
Interest received		82	448	1,019	148	118
Interest paid		(29,909)	(33,107)	(26,718)	(5,060)	(5,098)
Income taxes (paid)/received		(7,406)	(5,286)	1,098	(790)	(12,061)
Net cash inflow from operating activities		<u>246,041</u>	<u>236,047</u>	<u>207,281</u>	<u>62,728</u>	<u>47,652</u>
Cash flows from investing activities						
Payments for property, plant and equipment		(154,822)	(133,873)	(200,463)	(57,388)	(53,003)
Payments for intangible assets		(13,843)	(7,539)	(113)	(21)	(45)
Payments for land-use rights		–	(14,823)	–	–	–
Loans to a related party	37	–	(14,327)	(9,649)	–	–
Proceeds from disposals of property, plant and equipment	35	14,344	23,723	14,983	3,993	6,082
Net cash outflow from investing activities		<u>(154,321)</u>	<u>(146,839)</u>	<u>(195,242)</u>	<u>(53,416)</u>	<u>(46,966)</u>
Cash flows from financing activities						
Payments for financial liabilities at fair value through profit or loss		–	(216)	–	–	–
Proceeds from sale of financial assets at fair value through profit or loss		309	–	–	–	–
Proceeds from borrowings	35	339,462	179,003	141,491	18,000	17,500
Repayment of borrowings	35	(415,923)	(510,607)	(62,771)	(12,500)	(28,658)
Loans from a related party	35, 37	29,666	450,539	61,398	17,353	20,207
Repayment of loans from a related party	35, 37	(19,878)	(122,075)	(88,600)	(10,000)	–
Payments for lease liabilities	35	(53,891)	(65,081)	(39,764)	(9,449)	(8,616)
Payments of listing expenses		–	–	(4,988)	–	(735)
Dividend paid to the Company's shareholders	14	(3,153)	(142)	(11,470)	–	–
Net cash (outflow)/inflow from financing activities		<u>(123,408)</u>	<u>(68,579)</u>	<u>(4,704)</u>	<u>3,404</u>	<u>(302)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(31,688)</u>	<u>20,629</u>	<u>7,335</u>	<u>12,716</u>	<u>384</u>
Cash and cash equivalents at beginning of the year/period	27	47,042	15,291	36,911	36,911	44,430
Effects of exchange rate changes on cash and cash equivalents		<u>(63)</u>	<u>991</u>	<u>184</u>	<u>(16)</u>	<u>49</u>
Cash and cash equivalents at end of the year/period	27	<u>15,291</u>	<u>36,911</u>	<u>44,430</u>	<u>49,611</u>	<u>44,863</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

General information

Tat Hong Equipment Service Co., Ltd. (the "Company") was incorporated in the Cayman Islands in 26 August, 2014 as an exempted company with limited liability under the Companies Act (as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are principally engaged in one-stop tower crane solution services from consultation, technical solution design, commissioning, construction to after-sale service primarily to the State Owned Special-tier and Tier 1 and 2 contractors in People's Republic of China (the "PRC"). The ultimate parent company of the Group is Chwee Cheng & Sons Pte Ltd, a company incorporated in Singapore on 22 January 1994 with limited liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, except for the following:

- certain financial assets and liabilities (including derivative instruments) – measured at fair value

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to standards and interpretations have been issued but are not effective and have not been adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 16	COVID-19-related Rent Concessions	1 June 2020
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRS Standards 2018-2020	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments, which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

2.2 Subsidiaries

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Separate financial statements

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

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

2.3 Segment reporting

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

2.4 Foreign currencies*Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

Transactions and balances

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

Group companies

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

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

2.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the year in which they are incurred.

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

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

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

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

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

2.6 Intangible assets

Patent

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

Software

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

Research and development

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

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

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

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

2.7 Impairment of non-financial assets

Goodwill, intangible assets that have an indefinite useful life and capitalised development cost are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in

circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

2.8 Financial assets

2.8.1 Classification

The Group classifies its financial assets in the following categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held.

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

2.8.2 Recognition and measurement

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statements of comprehensive income and recognised in "Other (losses)/gains, net". Interest

income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in “Other (losses)/gains, net” in the period in which it arises.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.10 Impairment of financial assets

The Group has following types of financial assets subject to the expected credit loss model:

- Trade receivables and contract assets
- Other receivables
- Cash and cash equivalents

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment of other receivables is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of purchased inventories are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital and share premium

Ordinary shares are classified as equity.

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

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

2.15 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Foreign exchange gains and losses resulting from the borrowings denominated in foreign currencies are recognised in the consolidated statements of comprehensive income on a net basis within "finance cost".

2.16 Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.17 Trade and other payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Current and deferred income tax

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

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

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

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

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

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

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

2.19 Employee benefits***Short-term obligations***

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

Pension obligations

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

Housing funds, medical insurances and other social insurances

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

2.20 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Revenue recognition

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

One-stop tower crane solution services

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

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

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

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

Dry lease

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

2.22 Earnings per share**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

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

2.23 Contract assets and contract liabilities

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

2.24 Leases

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

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

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

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

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

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

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

To determine the incremental borrowing rate, the Group:

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

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

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

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the consolidated statements of comprehensive income by way of a reduced depreciation charge.

2.26 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Foreign exchange risk

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

If SGD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, would have been approximately RMB9,396,000, RMB9,835,000, RMB4,683,000 and RMB22,542,000 lower/higher, respectively.

If USD has strengthened/weakened by 5% against RMB, with all other variables held constant, the profit before income tax for the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, would have been approximately RMB381,000, RMB4,786,000, RMB6,033,000 lower/higher and RMB379,000 higher/lower, respectively.

Cash flow and fair value interest rate risk

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

As at 31 March 2018, 2019, 2020 and 30 June 2020, if interest rates increased or decreased by 50 base points and all other variables were held constant, the Group's post-tax profit would decrease or increase by approximately RMB1,469,000, RMB240,000, RMB529,000 and RMB1,990,000 respectively as a result of increase or decrease in net interest expense.

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

Credit risk

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

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

(i) Credit risk of cash and cash equivalents

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

(ii) Credit risk of contract assets and trade receivables

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

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

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

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

	Within credit term RMB'000	Less than 180 days past due RMB'000	181 to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
31 March 2018						
Trade receivables						
Gross carrying amount	86,920	90,904	20,518	22,076	10,632	231,050
Expected loss rate	(0.27%)	(0.39%)	(0.39%)	(2.73%)	(12.21%)	(1.11%)
Loss allowance	(239)	(351)	(79)	(602)	(1,298)	(2,569)
Contract assets – current and non-current						
Gross carrying amount	154,384	–	–	–	–	154,384
Expected loss rate	(0.01%)	–	–	–	–	(0.01%)
Loss allowance	(14)	–	–	–	–	(14)
	Within credit term RMB'000	Less than 180 days past due RMB'000	181 to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
31 March 2019						
Trade receivables						
Gross carrying amount	97,196	102,129	28,792	31,966	10,176	270,259
Expected loss rate	(0.27%)	(0.38%)	(0.36%)	(2.54%)	(12.29%)	(1.04%)
Loss allowance	(266)	(389)	(103)	(812)	(1,251)	(2,821)
Contract assets – current and non-current						
Gross carrying amount	192,585	–	–	–	–	192,585
Expected loss rate	(0.01%)	–	–	–	–	(0.01%)
Loss allowance	(17)	–	–	–	–	(17)
	Within credit term RMB'000	Less than 180 days past due RMB'000	181 to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
31 March 2020						
Trade receivables						
Gross carrying amount	82,452	174,397	57,027	42,601	12,115	368,592
Expected loss rate	(0.88%)	(1.31%)	(1.43%)	(4.00%)	(9.87%)	(1.82%)
Loss allowance	(722)	(2,278)	(816)	(1,705)	(1,196)	(6,717)

	Within credit term RMB'000	Less than 180 days past due RMB'000	181 to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
Contract assets – current and non-current						
Gross carrying amount	231,420	–	–	–	–	231,420
Expected loss rate	(0.68%)	–	–	–	–	(0.68%)
Loss allowance	(1,585)	–	–	–	–	(1,585)
30 June 2020						
Trade receivables						
Gross carrying amount	84,821	195,769	79,540	50,289	17,473	427,892
Expected loss rate	(0.73%)	(1.18%)	(1.48%)	(3.64%)	(6.62%)	(1.66%)
Loss allowance	(615)	(2,315)	(1,177)	(1,832)	(1,157)	(7,096)
Contract assets – current and non-current						
Gross carrying amount	286,434	–	–	–	–	286,434
Expected loss rate	(0.73%)	–	–	–	–	(0.73%)
Loss allowance	(2,091)	–	–	–	–	(2,091)

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

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Contract assets					
At the beginning of the year/period	12	14	17	17	1,585
Provisions	2	3	1,568	11	506
At the end of the year/period	14	17	1,585	28	2,091

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Trade receivables					
At the beginning of the year/period	983	2,569	2,821	2,821	6,717
Provisions	1,586	1,338	3,896	549	379
Written off as uncollectible	–	(1,086)	–	–	–
At the end of the year/period	<u>2,569</u>	<u>2,821</u>	<u>6,717</u>	<u>3,370</u>	<u>7,096</u>

(iii) *Credit risk of other receivables*

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

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

As at 31 March 2018, 2019, 2020 and 30 June 2020, there was no significant increase in credit risk since initial recognition, the Group assessed that the expected credit losses for these receivables are not material through using the 12 months expected losses method.

Liquidity risk

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

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<u>As at 31 March 2018</u>					
Borrowings	248,184	83,463	59,989	–	391,636
Trade and bills payables	169,267	–	–	–	169,267
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	44,593	115,368	–	–	159,961
Interest payable	20,352	12,320	9,441	–	42,113
Lease liabilities	43,845	37,463	27,626	1,730	110,664
	<u>526,241</u>	<u>248,614</u>	<u>97,056</u>	<u>1,730</u>	<u>873,641</u>

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<u>As at 31 March 2019</u>					
Borrowings	22,125	9,375	32,500	–	64,000
Trade and bills payables	173,457	–	–	–	173,457
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	42,715	200,843	246,799	–	490,357
Interest payable	21,610	21,497	8,388	–	51,495
Lease liabilities	41,137	19,356	21,029	3,129	84,651
	<u>301,044</u>	<u>251,071</u>	<u>308,716</u>	<u>3,129</u>	<u>863,960</u>
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<u>As at 31 March 2020</u>					
Borrowings	47,208	26,252	67,655	–	141,115
Trade and bills payables	151,981	–	–	–	151,981
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	41,796	216,021	212,188	–	470,005
Interest payable	20,138	19,270	5,326	–	44,734
Lease liabilities	28,771	16,488	11,795	2,417	59,471
	<u>289,894</u>	<u>278,031</u>	<u>296,964</u>	<u>2,417</u>	<u>867,306</u>
	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
<u>As at 30 June 2020</u>					
Borrowings	118,691	90,351	321,731	–	530,773
Trade and bills payables	199,781	–	–	–	199,781
Other payables and accruals (excluding payroll and welfare payables and other tax payables)	94,778	–	–	–	94,778
Interest payable	17,719	13,984	10,820	–	42,523
Lease liabilities	27,093	14,515	9,604	2,260	53,472
	<u>458,062</u>	<u>118,850</u>	<u>342,155</u>	<u>2,260</u>	<u>921,327</u>

3.2 Capital management

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

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

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

The net debt to total capital ratios at 31 March 2018, 2019, 2020 and 30 June 2020 were as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Net debt	571,097	549,675	576,835	563,924
Total equity	916,433	981,002	1,049,627	1,077,144
Total capital	1,487,530	1,530,677	1,626,462	1,641,068
The net debt to total capital ratio	38%	36%	35%	34%

3.3 Fair value estimation

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

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

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

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at March 31, 2018				
Assets				
Financial assets at fair value through other comprehensive income	–	–	16,745	16,745
Liabilities				
Financial liabilities at fair value through profit or losses	–	97	–	97

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
As at March 31, 2019				
Assets				
Financial assets at fair value through other comprehensive income	–	–	8,960	8,960
As at March 31, 2020				
Assets				
Financial assets at fair value through other comprehensive income	–	–	11,095	11,095
As at June 30, 2020				
Assets				
Financial assets at fair value through other comprehensive income	–	–	12,491	12,491

There were no transfers between Level 1, 2 and 3 during the Track Record Period.

Level 2 financial liabilities at fair value through profit or loss comprise cross currency swap are not traded in an active market. The fair value of the cross currency swap is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

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

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Fair value				Un-observable	Range of inputs (probability-weighted average)			Three months ended
As at 31 March		As at 30 June		Year ended 31 March			30 June	
2018	2019	2020	2020	2018	2019	2020	2020	
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>					
16,745	8,960	11,095	12,491	Discount rates quoted in main state-owned bank	5.39%	4.56%	3.46%	4.43%

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

Increasing/decreasing the discount rates quoted in main state-owned bank by 0.5% would decrease/increase the fair values as at 31 March 2018, 2019, 2020 and 30 June 2020 by approximately RMB22,000, RMB18,000, RMB17,000 and RMB9,000 respectively.

4 CRITICAL ESTIMATES AND JUDGEMENTS

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

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

Impairment of contract assets and trade receivables

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

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

Impairment and useful lives of property, plant and equipment

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

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

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

Income taxes and deferred income tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

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

Revenue recognition

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

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

5 SEGMENT INFORMATION

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

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

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

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

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Customer A	80,782	97,723	103,184	27,942	28,815

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

	As at 31 March			As at
	2018 RMB'000	2019 RMB'000	2020 RMB'000	30 June 2020 RMB'000
Contract assets				
Non-current	66,354	25,651	23,010	43,552
Loss allowance	(6)	(2)	(150)	(639)
	<u>66,348</u>	<u>25,649</u>	<u>22,860</u>	<u>42,913</u>
Current	88,030	166,934	208,410	242,882
Loss allowance	(8)	(15)	(1,435)	(1,452)
	<u>88,022</u>	<u>166,919</u>	<u>206,975</u>	<u>241,430</u>
Total contract assets	<u>154,370</u>	<u>192,568</u>	<u>229,835</u>	<u>284,343</u>

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Contract liabilities	13,241	12,961	9,195	8,295

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

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

	Year ended 31 March			Three months ended	
	2018	2019	2020	30 June	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period	2,749	6,842	4,634	3,553	1,562

(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.

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
One-stop tower crane solution services	772,075	633,087	682,325	707,246
Dry lease	4,825	4,884	2,904	5,697
	776,900	637,971	685,229	712,943

The Company expects that unsatisfied one-stop tower crane solution services and dry lease of approximately RMB543,392,000 as of 30 June 2020 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB169,551,000 will be recognised as revenue after 1 year but less than 4 years.

6 REVENUE

An analysis of revenue is as follows:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Timing of revenue recognition					
– Over the time					
One-stop tower crane solution services:					
– Operating Lease	284,967	375,592	434,774	102,748	112,055
– Hoisting Service	260,647	271,529	303,626	84,634	90,738
Dry lease	3,513	8,882	6,521	2,285	2,095
	<u>549,127</u>	<u>656,003</u>	<u>744,921</u>	<u>189,667</u>	<u>204,888</u>

7 OTHER INCOME

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Value-added tax refund	4,335	12,516	6,894	3,554	1,752
Government grants	4,298	4,269	696	435	1,084
Others	113	2,189	2,373	93	594
	<u>8,746</u>	<u>18,974</u>	<u>9,963</u>	<u>4,082</u>	<u>3,430</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.

8 OTHER (LOSSES)/GAINS, NET

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Fair value losses on financial liabilities at fair value through profit or loss	(1,815)	(119)	–	–	–
Exchange (losses)/gains, net	(63)	991	184	(16)	49
(Losses)/gains on disposal of property, plant and equipment	(1,668)	(2,553)	280	(301)	480
	<u>(3,546)</u>	<u>(1,681)</u>	<u>464</u>	<u>(317)</u>	<u>529</u>

9 EXPENSES BY NATURE

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
				(Unaudited)	
Depreciation of property, plant and equipment and right-of-use assets	193,286	236,643	234,155	55,329	58,590
Labour subcontracting cost	174,890	177,299	174,406	45,985	52,354
Employee benefit expenses (Note 12)	38,379	52,497	73,714	14,437	14,551
Travel expenses	14,220	14,129	18,151	4,872	4,119
Transportation expenses	10,058	10,257	11,372	2,849	1,604
Material fees	7,711	8,109	15,348	2,441	4,294
Rental expenses	7,491	16,740	14,241	3,810	2,622
Repair expenses	5,090	4,269	13,566	2,005	4,545
Office expenses	2,562	3,650	4,593	1,941	2,479
Amortisation of intangible assets	1,725	3,368	4,543	1,115	1,154
Entertainment expenses	1,659	1,474	3,458	1,306	893
Professional fees	1,375	2,375	4,378	830	750
Auditor's remuneration	672	815	505	156	96
Listing expenses	–	–	15,611	–	2,257
Others	16,887	15,724	17,974	3,269	4,613
	<u>476,005</u>	<u>547,349</u>	<u>606,015</u>	<u>140,345</u>	<u>154,921</u>

10 FINANCE COSTS AND INCOME

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
				(Unaudited)	
Finance costs:					
Interest expenses on borrowings and loans from a related party	24,107	25,883	22,714	5,299	6,061
Interest expenses on lease liabilities	5,182	4,401	4,802	1,191	600
Net exchange (gains)/losses on foreign currency borrowings and loans from a related party	(7,071)	7,778	6,164	5,254	5,680
Total finance costs	<u>22,218</u>	<u>38,062</u>	<u>33,680</u>	<u>11,744</u>	<u>12,341</u>
Finance income:					
Interest income	(82)	(448)	(1,019)	(148)	(118)
Finance costs – net	<u>22,136</u>	<u>37,614</u>	<u>32,661</u>	<u>11,596</u>	<u>12,223</u>

11 INCOME TAX EXPENSE

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

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
				<i>(Unaudited)</i>	
Current tax on profits for the year/period	3,733	1,612	14,723	4,774	689
Deferred income tax	(204)	17,044	20,026	7,001	12,530
Income tax expense	<u>3,529</u>	<u>18,656</u>	<u>34,749</u>	<u>11,775</u>	<u>13,219</u>

The difference between the actual income tax expense charged to the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rates to profit before taxation can be reconciled as follows:

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
				<i>(Unaudited)</i>	
Profit before taxation	<u>54,598</u>	<u>86,992</u>	<u>111,208</u>	<u>40,931</u>	<u>40,818</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	13,863	18,439	28,501	9,317	9,802
Expenses not deductible for tax purposes	76	102	945	97	145
Temporary difference for which no deferred tax asset was recognised	–	–	307	–	510
Tax losses for which no deferred tax asset was recognised	942	176	2,776	1,192	1,328
Effect from changes in tax rate	(11,611)	–	–	–	–
Utilisation of the tax losses unrecognised previously	–	–	(1,587)	–	(83)
Super deductions from research and development expenditures	–	(395)	(820)	(203)	(217)
Withholding tax	<u>259</u>	<u>334</u>	<u>4,627</u>	<u>1,372</u>	<u>1,734</u>
Income tax expense	<u>3,529</u>	<u>18,656</u>	<u>34,749</u>	<u>11,775</u>	<u>13,219</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 2018, the Group's subsidiary, China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd., was accredited as a high-tech enterprise, and was entitled to the preferential tax rate of 15% for three years effective from January 2018.

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.

12 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Wages, salaries and bonuses	26,712	38,064	54,812	9,923	11,932
Pension costs – defined contribution plans	2,764	4,057	4,555	1,253	–
Other social security and housing fund	2,867	4,350	6,305	1,656	1,152
Other employee benefits	6,036	6,026	8,042	1,605	1,467
	<u>38,379</u>	<u>52,497</u>	<u>73,714</u>	<u>14,437</u>	<u>14,551</u>

13 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Five highest paid individuals

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Wages, salaries and bonuses	5,038	5,955	5,731	1,433	1,611
Pension costs – defined contribution plans	200	175	184	46	–
Other social security and housing fund	247	221	292	73	47
Other employee benefits	720	690	365	91	31
	<u>6,205</u>	<u>7,041</u>	<u>6,572</u>	<u>1,643</u>	<u>1,689</u>

The annual emoluments of the five highest paid individuals fell within the following bands:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019 (Unaudited)	2020
Nil to HKD1,000,000	2	1	0	0	0
HKD1,000,000 to HKD1,500,000	2	1	3	3	3
HKD1,500,000 to HKD2,000,000	0	2	2	2	2
HKD2,000,000 to HKD2,500,000	1	1	0	0	0
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

(b) Directors' and the chief executive officer's emoluments

The remuneration of every director and the chief executive officer is set out below:

For the year ended 31 March 2018:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Other social security and housing fund RMB'000	Total RMB'000
<u>Chairman:</u>					
Ng San Tiong	-	-	-	-	-
<u>Executive directors:</u>					
Yau Kok San (also Chief Executive Officer)	-	211	-	-	211
Lin Han-wei*	-	211	-	-	211
<u>Non-executive directors:</u>					
Chen Baozhi*	-	-	-	-	-
Sun Zhaolin	-	-	-	-	-
Ong Tiew Siam**	-	-	-	-	-
<u>Independent non-executive directors:</u>					
Kia Er Chew**	-	-	-	-	-
Chien Min-Chiu**	117	-	-	-	117
Huang Chih Yen**	95	-	-	-	95
Total:	212	422	-	-	634

* Mr. Lin Han-wei was appointed as an executive director and Mr. Chen Baozhi was appointed as a non-executive director of the Company in July 2017.

** Mr. Ong Tiew Siam resigned as a non-executive director of the Company and Mr. Kia Er Chew, Mr. Chien Min-Chiu and Mr. Huang Chih Yen resigned as independent non-executive directors of the Company in July 2017.

For the year ended 31 March 2019:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Other social security and housing fund RMB'000	Total RMB'000
<u>Chairman:</u>					
Ng San Tiong	-	-	-	-	-
<u>Executive directors:</u>					
Yau Kok San (also Chief Executive Officer)	-	223	-	-	223
Lin Han-wei	-	223	-	-	223
<u>Non-executive directors:</u>					
Chen Baozhi	-	-	-	-	-
Sun Zhaolin	-	-	-	-	-
Total:	-	446	-	-	446

For the year ended 31 March 2020:

Name	Fees <i>RMB'000</i>	Wages, salaries and bonuses <i>RMB'000</i>	Pension costs – defined contribution plans <i>RMB'000</i>	Other social security and housing fund <i>RMB'000</i>	Total <i>RMB'000</i>
<u>Chairman:</u>					
Ng San Tiong	–	–	–	–	–
<u>Executive directors:</u>					
Yau Kok San (also Chief Executive Officer)	–	395	–	–	395
Lin Han-wei	–	397	–	–	397
<u>Non-executive directors:</u>					
Chen Baozhi	–	–	–	–	–
Sun Zhaolin	–	–	–	–	–
Tay Ruixian, Jeremiah***	–	–	–	–	–
Total:	–	792	–	–	792

*** Mr. Tay Ruixian, Jeremiah was appointed as a non-executive director of the Company in November 2019.

For the three months ended 30 June 2020:

Name	Fees <i>RMB'000</i>	Wages, salaries and bonuses <i>RMB'000</i>	Pension costs – defined contribution plans <i>RMB'000</i>	Other social security and housing fund <i>RMB'000</i>	Total <i>RMB'000</i>
<u>Chairman:</u>					
Ng San Tiong	–	–	–	–	–
<u>Executive directors:</u>					
Yau Kok San (also Chief Executive Officer)	–	422	–	–	422
Lin Han-wei	–	383	–	–	383
<u>Non-executive directors:</u>					
Chen Baozhi	–	–	–	–	–
Sun Zhaolin	–	–	–	–	–
Tay Ruixian, Jeremiah****	–	–	–	–	–
Total:	–	805	–	–	805

**** Mr. Tay Ruixian, Jeremiah resigned as a non-executive director of the Company in July 2020.

For the three months ended 30 June 2019:

Name	Fees RMB'000	Wages, salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Other social security and housing fund RMB'000	Total RMB'000
<u>Chairman:</u>					
Ng San Tiong	–	–	–	–	–
<u>Executive directors:</u>					
Yau Kok San (also Chief Executive Officer)	–	99	–	–	99
Lin Han-wei	–	99	–	–	99
<u>Non-executive directors:</u>					
Chen Baozhi	–	–	–	–	–
Sun Zhaolin	–	–	–	–	–
Tay Ruixian, Jeremiah	–	–	–	–	–
Total:	–	198	–	–	198

(i) Directors' retirement benefits

None of the directors received or will receive any retirement benefits for the Track Record Period.

(ii) Directors' termination benefits

None of the directors received or will receive any termination benefits for the Track Record Period.

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

During the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, the Company did not pay consideration to any third parties for making available directors' services.

(iv) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

Except as disclosed in Note 37, there are no loans, quasi-loans and other dealing in favour of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020.

(v) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year/period.

14 DIVIDENDS

Pursuant to the resolution of the shareholders' meeting held on 14 July 2017, dividends of RMB3,153,000 were approved by the Company to its shareholders. All dividend has been paid in cash during the year ended 31 March 2018.

Pursuant to the resolution of the shareholders' meeting held on 26 July 2018, dividends of RMB3,745,000 were approved by the Company to its shareholders, of which RMB142,000 has been paid in cash during the year ended 31 March 2019. The remaining RMB3,603,000 has been paid in cash during the year ended 31 March 2020.

Pursuant to the resolution of the shareholders' meeting held on 16 August 2019, dividends of RMB7,867,000 were approved by the Company to its shareholders. All dividend has been paid in cash during the year ended 31 March 2020.

Pursuant to the resolution of the shareholders' meeting held on 24 September 2020, dividends of RMB7,646,000 were approved by the Company to its shareholders. This dividend has not been recognised as a dividend payable in this financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2021.

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
				(Unaudited)	
At the beginning of the year/period	–	–	3,603	3,603	–
Declaration of dividends	3,153	3,745	7,867	–	–
Dividends paid	(3,153)	(142)	(11,470)	–	–
	<u>–</u>	<u>3,603</u>	<u>–</u>	<u>3,603</u>	<u>–</u>
At the end of the year/period	–	3,603	–	3,603	–

15 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue or deemed to be in issue during the Track Record Period. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The fully diluted earnings per share for the Track Record Period is the same as the basic earnings per share as there is no dilutive potential share during the Track Record Period. Weighted average number of ordinary shares in issue is adjusted retrospectively as a result of the share split (Note 28).

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
				(Unaudited)	
Profit attributable to the ordinary equity holders of the Company	<u>51,069</u>	<u>68,336</u>	<u>76,459</u>	<u>29,156</u>	<u>27,599</u>
Weighted average number of ordinary shares in issue ('000)	875,151	875,151	875,151	875,151	875,151
Basic and diluted earnings per share (RMB)	<u>0.06</u>	<u>0.08</u>	<u>0.09</u>	<u>0.03</u>	<u>0.03</u>

16 INVESTMENT IN SUBSIDIARIES

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
Investment in unlisted shares	807,423	894,842	894,842	894,842

The following is a list of the subsidiaries at 31 March 2018:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation	Note
				Direct	Indirect		
Tat Hong Zhaomao Investment Group Co., Ltd. ("Tat Hong Zhaomao")	The PRC 23 April 2010	Limited liability company	USD52,700,000	100.00%	–	Investment holding, in the PRC	(i)
China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. ("Huaxing Tat Hong")	The PRC 24 June 2004	Limited liability company	RMB230,000,000	35.97%	64.03%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(ii)
Shanghai Tat Hong Construction Service Co., Ltd. ("Shanghai Tat Hong")	The PRC 13 June 2006	Limited liability company	USD26,000,000	56.34%	43.66%	Finance lease of construction machinery and equipment, in the PRC	(i)
Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd. ("Zhongjian Tat Hong")	The PRC 4 July 2007	Limited liability company	USD13,000,000	42.31%	57.69%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(iii)
Jiangsu Hengxingmao Financial Leasing Co., Ltd. ("Hengxingmao")	The PRC 14 July 2010	Limited liability company	USD17,300,000	100.0%	–	Finance lease of construction machinery and equipment, in the PRC	(i)
Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd. ("Changzhou Tat Hong")	The PRC 13 August 2013	Limited liability company	RMB20,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(iv)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation	Note
				Direct	Indirect		
Tat Hong Belt Road Pte. Ltd. ("Tat Hong Belt Road")	Singapore 21 August 2017	Limited liability company	SGD10	100.00%	–	Installation, maintenance and leasing of construction machinery and equipment, in Singapore	(v)
Chongqing Tat Hong Machinery Construction Co., Ltd. ("Chongqing Tat Hong")	The PRC 15 November 2017	Limited liability company	RMB5,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(vi)

On 21 August 2017, Tat Hong Belt Road Pte. Ltd. was established by the Company with the paid-up capital of SGD10.

On 15 November 2017, Chongqing Tat Hong Machinery Construction Co., Ltd. was established by Tat Hong Zhaomao Investment Group Co., Ltd., a subsidiary, with the paid-up capital of RMB5,000,000.

The following is a list of subsidiaries at 31 March 2019:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation	Note
				Direct	Indirect		
Tat Hong Zhaomao	The PRC 23 April 2010	Limited liability company	USD62,700,000	100.00%	–	Investment holding in the PRC	(i)
Huaxing Tat Hong	The PRC 24 June 2004	Limited liability company	RMB251,000,000	41.33%	58.67%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(ii)
Shanghai Tat Hong	The PRC 13 June 2006	Limited liability company	USD26,000,000	56.34%	43.66%	Finance lease of construction machinery and equipment, in the PRC	(i)
Zhongjian Tat Hong	The PRC 4 July 2007	Limited liability company	USD13,000,000	42.31%	57.69%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(iii)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation	Note
				Direct	Indirect		
Hengxingmao	The PRC 14 July 2010	Limited liability company	USD27,300,000	63.37%	36.63%	Finance lease of construction machinery and equipment, in the PRC	(i)
Changzhou Tat Hong	The PRC 13 August 2013	Limited liability company	RMB20,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(iv)
Tat Hong Belt Road	Singapore 21 August 2017	Limited liability company	SGD10	100.00%	–	Installation, maintenance and leasing of construction machinery and equipment, in Singapore	(v)
Chongqing Tat Hong	The PRC 15 November 2017	Limited liability company	RMB5,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(vi)
Jiangsu Ronghe Tat Hong Machinery Construction Co., Ltd. (“Ronghe Tat Hong”)	The PRC 9 January 2019	Limited liability company	–	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(vii)

In July 2018, the Company made an additional capital injection of USD10,000,000 (equivalent to RMB66,419,000) to Tat Hong Zhaomao Investment Group Co., Ltd.

In August 2018, Tat Hong Zhaomao Investment Group Co., Ltd., a subsidiary, made an additional capital injection of USD10,000,000 (equivalent to RMB67,041,000) to Jiangsu Hengxingmao Financial Leasing Co., Ltd.

In December 2018, the Company made an additional capital injection of RMB21,000,000 to China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd.

As at 31 March 2019, equity shares of certain subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong were pledged for bank borrowings of the Group amounting to RMB50,000,000 (Note 31) and the syndicated bank borrowings (“Syndication Loan”) borrowed by THSC Investments Pte. Ltd. (“THSC”), amounting to SGD430,000,000 (Note 37).

The following is a list of subsidiaries at 31 March 2020:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation	Note
				Direct	Indirect		
Tat Hong Zhaomao	The PRC 23 April 2010	Limited liability company	USD62,700,000	100.00%	–	Investment holding in the PRC	(i)
Huaxing Tat Hong	The PRC 24 June 2004	Limited liability company	RMB251,000,000	41.33%	58.67%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(ii)
Shanghai Tat Hong	The PRC 13 June 2006	Limited liability company	USD26,000,000	56.34%	43.66%	Finance lease of construction machinery and equipment, in the PRC	(i)
Zhongjian Tat Hong	The PRC 4 July 2007	Limited liability company	USD13,000,000	42.31%	57.69%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(iii)
Hengxingmao	The PRC 14 July 2010	Limited liability company	USD27,300,000	63.37%	36.63%	Finance lease of construction machinery and equipment, in the PRC	(i)
Changzhou Tat Hong	The PRC 13 August 2013	Limited liability company	RMB20,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(iv)
Tat Hong Belt Road	Singapore 21 August 2017	Limited liability company	SGD10	100.00%	–	Installation, maintenance and leasing of construction machinery and equipment, in Singapore	(v)

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation	Note
				Direct	Indirect		
Chongqing Tat Hong	The PRC 15 November 2017	Limited liability company	RMB5,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(vi)
Ronghe Tat Hong	The PRC 9 January 2019	Limited liability company	–	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC	(vii)

As at 31 March 2020, equity shares of certain subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong were pledged for bank borrowings of the Group amounting to RMB40,890,000 (Note 31) and the Syndication Loan borrowed by THSC amounting to SGD430,000,000 (Note 37).

The following is a list of subsidiaries at 30 June 2020:

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Tat Hong Zhaomao	The PRC 23 April 2010	Limited liability company	USD62,700,000	100.00%	–	Investment holding, in the PRC
Huaxing Tat Hong	The PRC 24 June 2004	Limited liability company	RMB251,000,000	41.33%	58.67%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Shanghai Tat Hong	The PRC 13 June 2006	Limited liability company	USD26,000,000	56.34%	43.66%	Finance lease of construction machinery and equipment, in the PRC
Zhongjian Tat Hong	The PRC 4 July 2007	Limited liability company	USD13,000,000	42.31%	57.69%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC

Company name	Country/Place and date of incorporation	Type of legal entity	Paid-up capital	Attributable equity interest to the Company		Principal activities and place of operation
				Direct	Indirect	
Hengxingmao	The PRC 14 July 2010	Limited liability company	USD27,300,000	63.37%	36.63%	Finance lease of construction machinery and equipment, in the PRC
Changzhou Tat Hong	The PRC 13 August 2013	Limited liability company	RMB20,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Tat Hong Belt Road	Singapore 21 August 2017	Limited liability company	SGD10	100.00%	–	Installation, maintenance and leasing of construction machinery and equipment, in Singapore
Chongqing Tat Hong	The PRC 15 November 2017	Limited liability company	RMB5,000,000	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC
Ronghe Tat Hong	The PRC 9 January 2019	Limited liability company	–	–	100.00%	Installation, maintenance and leasing of construction machinery and equipment, in the PRC

As at 30 June 2020, the equity shares of certain subsidiaries, including 100% of Tat Hong Zhaomao, Hengxingmao, Zhongjian Tat Hong, Huaxing Tat Hong and Changzhou Tat Hong were pledged for bank borrowings of the Group amounting to RMB427,826,000 (Note 31) and the Syndication Loan borrowed by THSC amounting to SGD430,000,000 (Note 37). On 24 December 2020, the pledge provided for the Syndication Loan has been released.

- (i) The statutory financial statements of these subsidiaries for the year ended 31 December 2017 were audited by Shanghai Hddy Certified Public Accountants Co., Ltd.* (上海宏大東亞會計師事務所) and those for the years ended 31 December 2018 and 2019 were audited by Shanghai Hu Gang Jin Mao Certified Public Accountants Co., Ltd.* (上海滬港金茂會計師事務所) in the PRC.
- (ii) The statutory financial statements of this subsidiary for the years ended 31 December 2017, 2018 and 2019 were audited by Yangzhou Xinyang Certified Public Accountants Co., Ltd.* (揚州新揚會計師事務所) in the PRC.
- (iii) The statutory financial statements of this subsidiary for the year ended 31 December 2017 were audited by Beijing Dongshen LLP.* (北京東審會計師事務所) and those for the years ended 31 December 2018 and 2019 were audited by Beijing Dongshen Dingli International Certified Public Accountants Co., Ltd.* (北京東審鼎立國際會計師事務所) in the PRC.

- (iv) The statutory financial statements of this subsidiary for the years ended 31 December 2017 and 2019 were audited by Beijing Dongshen Certified Public Accountants Co., Ltd.* (北京東審會計師事務所) and that for the year ended 31 December 2018 were audited by Shanghai Chengchang Certified Public Accountants Co., Ltd.* (上海誠昌會計師事務所) in the PRC.
- (v) The statutory financial statements of this subsidiary for the years ended 31 March 2018, 2019 and 2020 were audited by Klynveld Peat Marwick Goerdeler Certified Public Accountants Co., Ltd. in Singapore.
- (vi) No audited financial statements were issued for the years ended 31 December 2017 and 2018 as it is not required to issue audited financial statements under the statutory requirements of its place of operation. The statutory financial statements of this subsidiary for the year ended 31 December 2019 were audited by Shanghai Hu Gang Jin Mao Certified Public Accountants Co., Ltd.* (上海滬港金茂會計師事務所) in the PRC.
- (vii) The statutory financial statements of this subsidiary for the year ended 31 December 2019 were audited by Beijing Zhongruicheng Certified Public Accountants Co., Ltd.* (北京中瑞誠會計師事務所) in the PRC .

* For translation purpose only

17 PROPERTY, PLANT AND EQUIPMENT

	Machinery	Transportation	Office equipment	Leasehold improvements	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 April 2017						
Cost	1,594,931	8,496	6,410	9,043	42,739	1,661,619
Accumulated depreciation	(406,034)	(6,373)	(4,370)	(5,608)	–	(422,385)
Net book amount	<u>1,188,897</u>	<u>2,123</u>	<u>2,040</u>	<u>3,435</u>	<u>42,739</u>	<u>1,239,234</u>
Year ended 31 March 2018						
Opening net book amount	1,188,897	2,123	2,040	3,435	42,739	1,239,234
Additions	116,282	1,228	387	87	38,039	156,023
Disposals	(15,874)	(84)	(54)	–	–	(16,012)
Depreciation	(162,504)	(721)	(547)	(793)	–	(164,565)
Transfer	12,948	–	–	–	(12,948)	–
Net book amount	<u>1,139,749</u>	<u>2,546</u>	<u>1,826</u>	<u>2,729</u>	<u>67,830</u>	<u>1,214,680</u>
As at 31 March 2018 and 1 April 2018						
Cost	1,631,636	8,887	6,318	8,842	67,830	1,723,513
Accumulated depreciation	(491,887)	(6,341)	(4,492)	(6,113)	–	(508,833)
Net book amount	<u>1,139,749</u>	<u>2,546</u>	<u>1,826</u>	<u>2,729</u>	<u>67,830</u>	<u>1,214,680</u>
Year ended 31 March 2019						
Opening net book amount	1,139,749	2,546	1,826	2,729	67,830	1,214,680
Additions	143,848	1,166	456	2,224	4,930	152,624
Disposals	(23,703)	(177)	(37)	–	(2,359)	(26,276)
Depreciation	(192,495)	(677)	(510)	(911)	–	(194,593)
Transfer	62,647	–	–	–	(62,647)	–
Net book amount	<u>1,130,046</u>	<u>2,858</u>	<u>1,735</u>	<u>4,042</u>	<u>7,754</u>	<u>1,146,435</u>

	Machinery <i>RMB'000</i>	Transportation <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 March 2019 and 1 April 2019						
Cost	1,734,253	8,282	6,527	10,491	7,754	1,767,307
Accumulated depreciation	(604,207)	(5,424)	(4,792)	(6,449)	–	(620,872)
Net book amount	<u>1,130,046</u>	<u>2,858</u>	<u>1,735</u>	<u>4,042</u>	<u>7,754</u>	<u>1,146,435</u>

	Building <i>RMB'000</i>	Machinery <i>RMB'000</i>	Transportation <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 March 2020							
Opening net book amount	–	1,130,046	2,858	1,735	4,042	7,754	1,146,435
Additions	7,901	188,167	1,645	1,414	1,915	3,792	204,834
Transfer from right-of-use assets	–	21,158	–	–	–	–	21,158
Disposals	–	(11,265)	(47)	(158)	(621)	(2,612)	(14,703)
Depreciation	(237)	(199,039)	(721)	(549)	(1,225)	–	(201,771)
Transfer	–	4,683	–	–	–	(4,683)	–
Net book amount	<u>7,664</u>	<u>1,133,750</u>	<u>3,735</u>	<u>2,442</u>	<u>4,111</u>	<u>4,251</u>	<u>1,155,953</u>

As at 31 March 2020							
Cost	7,901	1,823,485	9,452	7,542	11,786	4,251	1,864,417
Accumulated depreciation	(237)	(689,735)	(5,717)	(5,100)	(7,675)	–	(708,464)
Net book amount	<u>7,664</u>	<u>1,133,750</u>	<u>3,735</u>	<u>2,442</u>	<u>4,111</u>	<u>4,251</u>	<u>1,155,953</u>

	Building <i>RMB'000</i>	Machinery <i>RMB'000</i>	Transportation <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Construction in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
Three months ended 30 June 2020							
Opening net book amount	7,664	1,133,750	3,735	2,442	4,111	4,251	1,155,953
Additions	–	50,298	320	217	–	3,113	53,948
Disposals	–	(5,518)	(67)	(17)	–	–	(5,602)
Depreciation	(89)	(50,959)	(212)	(153)	(345)	–	(51,758)
Transfer	–	3,487	–	52	–	(3,539)	–
Net book amount	<u>7,575</u>	<u>1,131,058</u>	<u>3,776</u>	<u>2,541</u>	<u>3,766</u>	<u>3,825</u>	<u>1,152,541</u>

As at 30 June 2020							
Cost	7,901	1,841,565	9,099	7,637	11,786	3,825	1,881,813
Accumulated depreciation	(326)	(710,507)	(5,323)	(5,096)	(8,020)	–	(729,272)
Net book amount	<u>7,575</u>	<u>1,131,058</u>	<u>3,776</u>	<u>2,541</u>	<u>3,766</u>	<u>3,825</u>	<u>1,152,541</u>

Depreciation of the Group's property, plant and equipment has been recognised as follows:

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Cost of sales	160,386	191,862	197,919	47,007	51,009
General and administrative expenses	4,056	2,624	3,818	928	747
Research and development expenses	2	99	34	5	2
Capitalised development costs	121	8	–	–	–
	<u>164,565</u>	<u>194,593</u>	<u>201,771</u>	<u>47,940</u>	<u>51,758</u>

The Group pledged machineries with carrying amount of approximately RMB560,192,000, RMB984,838,000, RMB950,693,000 and RMB997,919,000 for the bank borrowings of the Group (Note 31) and Syndication Loan borrowed by THSC (Note 37), as at 31 March 2018, 2019 and 2020 and 30 June 2020, respectively. On 24 December 2020, the pledge provided for the Syndication Loan has been released.

18 LEASES

(i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position show the following amounts relating to leases:

	As at 31 March			As at 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000
Right-of-use assets				
Land-use rights	–	–	14,493	14,384
Machinery	74,999	68,255	32,562	31,665
Office	6,438	9,520	4,914	3,768
Warehouse	5,752	12,233	18,738	17,775
Others	1,204	791	1,306	1,263
	<u>88,393</u>	<u>90,799</u>	<u>72,013</u>	<u>68,855</u>
Lease liabilities				
Current	40,277	46,437	24,590	26,277
Non-current	39,107	28,507	27,351	20,917
	<u>79,384</u>	<u>74,944</u>	<u>51,941</u>	<u>47,194</u>

Additions to the right-of-use assets during the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020 were RMB41,917,000, RMB44,464,000, RMB34,756,000 and RMB4,963,000, respectively.

As at 31 March 2019, 2020 and 30 June 2020, the lease liabilities were amounted to RMB17,080,000, RMB9,731,000 and RMB4,956,000 and guaranteed by one of the senior managements. Tat Hong Zhaomao has entered into an agreement with that senior management, pursuant to which Tat Hong Zhaomao agreed to compensate the senior management for any potential loss incurred by the senior management in relation to the guarantee provided. On 10 December 2020, the guarantees provided by the senior management for the lease liabilities have been released.

(ii) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income show the following amounts relating to leases:

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Depreciation charge of right-of-use assets					
Land-use rights	–	–	329	–	109
Machinery	21,142	32,691	23,278	5,302	4,524
Office	4,394	4,972	4,598	1,145	1,191
Warehouse	2,362	3,403	3,183	668	733
Others	944	992	996	274	275
	<u>28,842</u>	<u>42,058</u>	<u>32,384</u>	<u>7,389</u>	<u>6,832</u>
Interest expense (included in finance costs)	<u>5,182</u>	<u>4,401</u>	<u>4,802</u>	<u>1,191</u>	<u>600</u>

19 INTANGIBLE ASSETS

	Software RMB'000	Patent RMB'000	Capitalised development costs RMB'000	Total RMB'000
As at 1 April 2017				
Cost	3,818	5,771	15,230	24,819
Accumulated amortisation	(1,895)	(384)	–	(2,279)
Net book amount	<u>1,923</u>	<u>5,387</u>	<u>15,230</u>	<u>22,540</u>
Year ended 31 March 2018				
Opening net book amount	1,923	5,387	15,230	22,540
Additions	204	–	13,742	13,946
Amortisation charge (Note 9)	(406)	(1,319)	–	(1,725)
Transfer	256	15,868	(16,124)	–
Net book amount	<u>1,977</u>	<u>19,936</u>	<u>12,848</u>	<u>34,761</u>
As at 31 March 2018 and 1 April 2018				
Cost	4,278	21,639	12,848	38,765
Accumulated amortisation	(2,301)	(1,703)	–	(4,004)
Net book amount	<u>1,977</u>	<u>19,936</u>	<u>12,848</u>	<u>34,761</u>

	Software RMB'000	Patent RMB'000	Capitalised development costs RMB'000	Total RMB'000
Year ended 31 March 2019				
Opening net book amount	1,977	19,936	12,848	34,761
Additions	–	–	7,574	7,574
Amortisation charge (Note 9)	(555)	(2,813)	–	(3,368)
Transfer	4,141	7,612	(11,753)	–
Net book amount	<u>5,563</u>	<u>24,735</u>	<u>8,669</u>	<u>38,967</u>
As at 31 March 2019 and 1 April 2019				
Cost	8,419	29,251	8,669	46,339
Accumulated amortisation	(2,856)	(4,516)	–	(7,372)
Net book amount	<u>5,563</u>	<u>24,735</u>	<u>8,669</u>	<u>38,967</u>
Year ended 31 March 2020				
Opening net book amount	5,563	24,735	8,669	38,967
Additions	74	–	39	113
Amortisation charge (Note 9)	(937)	(3,606)	–	(4,543)
Transfer	453	7,403	(7,856)	–
Net book amount	<u>5,153</u>	<u>28,532</u>	<u>852</u>	<u>34,537</u>
As at 31 March 2020				
Cost	8,946	36,654	852	46,452
Accumulated amortisation	(3,793)	(8,122)	–	(11,915)
Net book amount	<u>5,153</u>	<u>28,532</u>	<u>852</u>	<u>34,537</u>
Three months ended 30 June 2020				
Opening net book amount	5,153	28,532	852	34,537
Additions	45	–	–	45
Amortisation charge (Note 9)	(238)	(916)	–	(1,154)
Transfer	852	–	(852)	–
Net book amount	<u>5,812</u>	<u>27,616</u>	<u>–</u>	<u>33,428</u>
As at 30 June 2020				
Cost	9,843	36,654	–	46,497
Accumulated amortisation	(4,031)	(9,038)	–	(13,069)
Net book amount	<u>5,812</u>	<u>27,616</u>	<u>–</u>	<u>33,428</u>

Amortisation of the intangible assets has been recognised as follows:

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Cost of sales	1,415	3,056	4,132	1,020	1,098
General and administrative expenses	310	312	411	95	56
	<u>1,725</u>	<u>3,368</u>	<u>4,543</u>	<u>1,115</u>	<u>1,154</u>

Impairment tests for capitalised development costs

Capitalised development costs are assets other than goodwill that contribute to the future cash flows of the group of cash-generating units ("CGUs", each tower crane is a CGU) under review and other cash-generating units. The Group carried out its impairment test on capitalised development costs by comparing the recoverable amount of group of CGUs to the carrying amount. Management applied value-in-use method to calculate the recoverable amount of group of CGUs. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period stated below as sales volume annual growth rate. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below as long-term growth rate. During the Track Record Period, there were no significant changes in the competition environment of tower crane service industry and business operation model. Therefore, the sales volume growth rates, long-term growth rates and pre-tax discount rates used in impairment testing for capitalised development costs are approximate.

The following table sets out the key assumptions for the group of CGUs:

	Year ended 31 March		
	2018	2019	2020
Sales volume (% annual growth rate)	15	15	15
Gross margin (% of revenue)	33	34	34
Long term growth rate (%)	7	7	7
Pre-tax discount rate (%)	16	16	16

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rates	Reflect specific risks relating to the relevant segments and the countries in which they operate.

The recoverable amount of the capitalised development costs is estimated to exceed the carrying amount of the CGU at 31 March 2018, 2019 and 2020 by RMB165,409,000, RMB272,344,000 and RMB345,980,000.

The recoverable amount of the cash generating unit would equal to its carrying amount if the key assumptions are to change as follows:

	Year ended 31 March		
	2018	2019	2020
Sales volume (% annual growth rate)	11	13	7
Gross margin (% of revenue)	28	28	29
Pre-tax discount rate (%)	19	21	22

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

20 OTHER NON-CURRENT ASSETS

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Deposits	13,224	18,950	25,929	28,225
Prepayments for the plant	–	7,477	–	–
Prepayments for the land-use rights	–	14,823	–	–
Receivables for labour costs	6,289	–	–	–
Others	1,920	–	–	–
	<u>21,433</u>	<u>41,250</u>	<u>25,929</u>	<u>28,225</u>

21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Financial assets at fair value through other comprehensive income	<u>16,745</u>	<u>8,960</u>	<u>11,095</u>	<u>12,491</u>
Financial assets at amortised cost:				
Other non-current assets	6,289	–	–	–
Trade receivables	228,481	267,438	361,875	420,796
Other receivables	5,061	38,893	36,029	12,390
Cash and cash equivalents	<u>15,291</u>	<u>36,911</u>	<u>44,430</u>	<u>44,863</u>
	<u>255,122</u>	<u>343,242</u>	<u>442,334</u>	<u>478,049</u>
	<u>271,867</u>	<u>352,202</u>	<u>453,429</u>	<u>490,540</u>

	2018	As at 31 March	2020	As at
	<i>RMB'000</i>	2019	<i>RMB'000</i>	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Financial liabilities at fair value through profit or loss	97	–	–	–
Financial liabilities at amortised cost:				
Trade and bills payables	169,267	173,457	151,981	199,781
Other payables and accruals (excluding other tax payables, payroll and welfare payables, and dividend payable)	159,961	486,754	470,005	94,778
Borrowings	391,636	64,000	141,115	530,773
Lease liabilities	79,384	74,944	51,941	47,194
	<u>800,248</u>	<u>799,155</u>	<u>815,042</u>	<u>872,526</u>
	<u>800,345</u>	<u>799,155</u>	<u>815,042</u>	<u>872,526</u>

22 INVENTORIES

	2018	As at 31 March	2020	As at
	<i>RMB'000</i>	2019	<i>RMB'000</i>	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Accessories	10,494	11,026	13,741	13,279

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB7,711,000, RMB8,109,000, RMB15,348,000 and RMB4,294,000 for the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively.

23 TRADE RECEIVABLES

	2018	As at 31 March	2020	As at
	<i>RMB'000</i>	2019	<i>RMB'000</i>	30 June
		<i>RMB'000</i>	<i>RMB'000</i>	2020
				<i>RMB'000</i>
Accounts receivable	231,050	270,259	368,592	427,892
Less: provision for impairment	(2,569)	(2,821)	(6,717)	(7,096)
	<u>228,481</u>	<u>267,438</u>	<u>361,875</u>	<u>420,796</u>

The majority of the Group's receivables are with credit term from 30 to 90 days. At 31 March 2018, 2019, 2020 and 30 June 2020, the aging analysis of the trade receivables, based on due date, was as follows:

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable				
Current	86,920	97,196	82,452	84,821
Up to 180 days	90,904	102,129	174,397	195,769
181 to 365 days	20,518	28,792	57,027	79,540
1 to 2 years	22,076	31,966	42,601	50,289
Over 2 years	10,632	10,176	12,115	17,473
	<u>231,050</u>	<u>270,259</u>	<u>368,592</u>	<u>427,892</u>

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

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	983	2,569	2,821	6,717
Provisions for trade receivables	1,586	1,338	3,896	379
Written off as uncollectible	–	(1,086)	–	–
At the end of the year/period	<u>2,569</u>	<u>2,821</u>	<u>6,717</u>	<u>7,096</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.

The Group's trade receivables were denominated in RMB.

As at 31 March 2018, the Group pledged trade receivables with carrying amount of approximately RMB275,973,000 for the bank borrowings amounting to RMB119,900,000 (*Note 31*).

24 PREPAYMENTS AND OTHER RECEIVABLES – THE GROUP AND THE COMPANY

The Group

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Recoverable value-added tax (“VAT”)	77,570	47,853	29,509	27,142
Loans to a related party (<i>Note 33</i>)	–	14,327	23,976	838
Receivables for labour costs	–	17,165	7,604	6,933
Staff advances	10,253	8,361	11,354	10,356
Prepaid expenses	6,978	4,520	8,085	7,799
Prepayments to vendors	6,475	4,481	4,456	5,159
Amounts due from related parties	181	2,941	21	21
Insurance claim receivables	4,880	4,460	4,428	4,598
Prepayments to related parties	2,662	1,541	1,703	2,727
Others	3,821	5,604	1,958	518
	<u>112,820</u>	<u>111,253</u>	<u>93,094</u>	<u>66,091</u>

On 9 November 2020, the Group has received the repayment of the loans to a related party with amount of RMB838,000.

On and 23 December 2020, the Group has received the repayment of the amounts due from related parties with amount of RMB21,000.

The Company

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Loans to subsidiaries (i)	–	–	–	228,225
Current				
Amounts due from subsidiaries	2,915	4,902	5,173	6,653
Loans to subsidiaries (i)	–	–	–	40,778
Prepaid expenses	–	–	4,921	5,150
Others	124	24	26	25
	<u>3,039</u>	<u>4,926</u>	<u>10,120</u>	<u>52,606</u>
	<u>3,039</u>	<u>4,926</u>	<u>10,120</u>	<u>280,831</u>

The carrying amounts of other receivables approximate their fair values.

- (i) As at 30 June 2020, RMB40,778,000 of the loans to subsidiaries are receivable in 1 year, RMB34,952,000 are receivable after 1 year but less than 2 years. The remaining RMB193,273,000 are receivable after 2 years but less than 5 years.

As at 30 June 2020, loans to subsidiaries of the Company were denominated in SGD with a weighted average interest rate of 3.5% per annum.

25 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The financial assets at fair value through other comprehensive income comprise:

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Commercial acceptance notes	12,656	6,400	10,395	8,100
Bank acceptance notes	4,089	2,560	700	4,391
	<u>16,745</u>	<u>8,960</u>	<u>11,095</u>	<u>12,491</u>

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS – THE GROUP AND THE COMPANY

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cross currency swap	97	–	–	–

(i) Derivative instruments

	2018	As at 31 March 2019	2020	As at 30 June 2020
Notional principal (SGD'000)	3,813	–	–	–

The Group and the Company entered into cross currency swap to exchange cash flows denominated in SGD for RMB.

(ii) Amounts recognised in profit or loss

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net losses on cross currency swap	1,815	119	–	–	–

(Unaudited)

(iii) Risk exposure and fair value measurements

For information about the methods and assumptions used in determining fair value please refer to Note 3.3.

27 CASH AND CASH EQUIVALENTS

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and bank balances	15,291	36,911	44,430	44,863

Cash and cash equivalents are denominated in the following currencies.

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
RMB	14,518	35,687	29,957	28,947
USD	686	74	12,871	9,527
SGD	87	1,150	1,602	6,389
	15,291	36,911	44,430	44,863

28 SHARE CAPITAL – THE GROUP AND THE COMPANY

Share capital as at 31 March 2018, 2019, 2020 and 30 June 2020, represented the share capital of the Group and the Company.

	Number of Shares Authorised '000	Number of Shares Issued '000	Share Capital USD'000	Share Capital RMB'000	
As at 31 March 2018 and 2019 (ordinary shares of USD1 each)	150,000	70,012	70,012	441,458	
	Number of Shares Authorised '000	Number of Shares Issued '000	Share Capital USD'000	Share Capital RMB'000	
As at 31 March 2020 (ordinary shares of USD0.08 each)	1,875,000	875,151	70,012	441,458	
	Number of Shares Authorised '000	Number of Shares Issued '000	Share Capital USD'000	Share Capital RMB'000	
As at 30 June 2020 (ordinary shares of USD0.08 each)	1,875,000	875,151	70,012	441,458	
	Year ended 31 March		Three months ended 30 June		
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
At the beginning of the year/period	138,685	441,458	441,458	441,458	441,458
Issue of shares	441,458	–	–	–	–
Repurchase and cancellation of shares	(138,685)	–	–	–	–
At the end of the year/period	<u>441,458</u>	<u>441,458</u>	<u>441,458</u>	<u>441,458</u>	<u>441,458</u>

The Company was established on 26 August 2014. The authorised and issued share capital was NTD10 with 1 share of NTD10 each issued at par.

On 29 January 2015, the authorised share capital was increased from NTD10 to NTD1,500,000,000, divided into 150,000,000 shares with a par value of NTD10 each.

On 30 March 2015, the Company issued 64,908,219 new shares of NTD10 each to Tat Hong Equipment (China) Pte. Ltd. ("THEC") as consideration for the acquisition of the equity investments in the subsidiaries held by THEC and cash amounted to NTD194,316,512 from THEC. Upon the completion of the issuance, the share capital was increased from NTD10 to NTD649,082,200 (equivalent to RMB128,586,000) while the share premium was increased to approximately RMB640,720,000. The number of issued shares was increased from 1 to 64,908,220 after this issuance.

On 13 July 2015, the Company issued 5,103,890 new shares for cash amounted to RMB47,087,661. Upon the completion of the issuance, the share capital was increased from NTD649,082,200 to NTD700,121,100 (equivalent to RMB138,685,000) while the share premium was increased from RMB640,720,000 to RMB677,709,000. The number of issued shares was increased from 64,908,220 to 70,012,110 after this issuance.

On 25 August 2017, the Board of Directors resolved that (a) the Company issued 70,012,110 new shares of USD1 each with the share capital of USD70,012,110 (equivalent to RMB441,458,000) to the existing shareholders; (b) the Company repurchased and cancelled all the then 70,012,110 issued shares of NTD10 each with carrying value of NTD700,121,100 (equivalent to RMB138,685,000). Upon the completion of this procedures on 25 August 2017, the share capital was changed from NTD700,121,100 to USD70,012,110 through the transfer of approximately RMB302,773,000 from the share premium. The number of issued shares remained at 70,012,110.

On 28 November 2019, the Board of Directors resolved that the Company split the issued shares with a share split ratio of 1:12.5. Therefore, the number of issued and outstanding shares was adjusted from 70,012,000 to 875,151,250 while the par value decreased from USD1 each to USD0.08 each. The total share capital remained unchanged.

29 RESERVES – THE GROUP AND THE COMPANY

Reserves of the Group during the Track Record Period comprised of capital reserve, statutory reserve and translation reserve.

Capital reserve comprised of share premium and merge reserve arising from the combination of THEC's subsidiaries in 2015 (Note 28). 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.

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 or be utilised for issuance of bonus shares. 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.

30 DEFERRED INCOME TAX

The analysis of net deferred income tax assets and deferred income tax liabilities is as follows:

	2018 RMB'000	As at 31 March 2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000
Deferred income tax assets:				
to be recovered within 12 months	25,254	30,781	17,695	17,195
to be recovered after more than 12 months	19,557	16,182	13,175	9,514
Total deferred tax assets	44,811	46,963	30,870	26,709
Set-off with deferred tax liabilities	(42,018)	(43,649)	(30,870)	(26,709)
Net deferred income tax assets	<u>2,793</u>	<u>3,314</u>	–	–
	2018 RMB'000	As at 31 March 2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000
Deferred income tax liabilities:				
to be recovered within 12 months	16,128	17,801	24,406	26,787
to be recovered after more than 12 months	59,018	76,541	73,869	79,857
Total deferred tax liabilities	75,146	94,342	98,275	106,644
Set-off with deferred tax assets	(42,018)	(43,649)	(30,870)	(26,709)
Net deferred income tax liabilities	<u>33,128</u>	<u>50,693</u>	<u>67,405</u>	<u>79,935</u>

The movement in deferred income tax assets and liabilities during the year/period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accrued expenses <i>RMB'000</i>	Provisions <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Intangible assets <i>RMB'000</i>	Borrowings and loans from a related party <i>RMB'000</i>	Tax losses <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred income tax assets:							
At 1 April 2017	1,012	19,023	15,093	1,290	1,880	7,535	45,833
Recognised in the profit or loss	1,122	(1,439)	(2,245)	458	(1,812)	2,894	(1,022)
At 31 March 2018	2,134	17,584	12,848	1,748	68	10,429	44,811
Recognised in the profit or loss	1,064	(3,797)	3,386	204	436	859	2,152
At 31 March 2019	3,198	13,787	16,234	1,952	504	11,288	46,963
Recognised in the profit or loss	(1,742)	(193)	(7,952)	594	(154)	(6,646)	(16,093)
At 31 March 2020	1,456	13,594	8,282	2,546	350	4,642	30,870
Recognised in the profit or loss	78	(218)	(1,541)	(739)	177	(1,918)	(4,161)
At 30 June 2020	1,534	13,376	6,741	1,807	527	2,724	26,709
	Property, plant and equipment <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Contract assets <i>RMB'000</i>	Provision for withholding tax <i>RMB'000</i>			Total <i>RMB'000</i>
Deferred income tax liabilities:							
At 1 April 2017	(55,238)	(20,664)	–	(470)			(76,372)
Recognised in the profit or loss	(4,891)	6,734	(828)	211			1,226
At 31 March 2018	(60,129)	(13,930)	(828)	(259)			(75,146)
Recognised in the profit or loss	(17,531)	(2,273)	683	(75)			(19,196)
At 31 March 2019	(77,660)	(16,203)	(145)	(334)			(94,342)
Recognised in the profit or loss	(2,687)	7,080	(4,033)	(4,293)			(3,933)
At 31 March 2020	(80,347)	(9,123)	(4,178)	(4,627)			(98,275)
Recognised in the profit or loss	(6,775)	568	(428)	(1,734)			(8,369)
At 30 June 2020	(87,122)	(8,555)	(4,606)	(6,361)			(106,644)

The expiration of tax losses carried forward for which deferred income tax asset are not recognised is as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
Tax losses expiring within 1 years	1,533	–	23,390	23,225
Tax losses expiring between 1-2 years	–	23,390	2,723	2,723
Tax losses expiring between 2-3 years	23,390	2,723	770	770
Tax losses expiring between 3-4 years	2,723	6,002	7,676	7,510
Tax losses expiring between 4-5 years	6,002	8,792	11,104	18,508
	<u>33,648</u>	<u>40,907</u>	<u>45,663</u>	<u>52,736</u>

Unrecognised temporary differences are as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
Temporary difference for which no deferred tax asset was recognised:				
– Inventories	<u>–</u>	<u>–</u>	<u>1,229</u>	<u>3,266</u>
Unrecognised deferred tax asset relating to the above temporary difference	<u>–</u>	<u>–</u>	<u>307</u>	<u>817</u>
Temporary difference for which no deferred tax liability was recognised:				
– Withholding tax for distributable retained profits of the Company's subsidiaries in the PRC	<u>21,220</u>	<u>40,880</u>	<u>49,822</u>	<u>61,196</u>
Unrecognised deferred tax liability relating to the above temporary difference	<u>2,122</u>	<u>4,088</u>	<u>4,982</u>	<u>6,120</u>

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 earned. Such distributable retained profits are not expected to be distributed out of the PRC.

31 BORROWINGS – THE GROUP AND THE COMPANY

The Group

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Non-current				
Bank borrowings – Secured (<i>Note 33</i>)	143,452	41,875	93,907	412,082
Current				
Bank borrowings – Secured (<i>Note 33</i>)	248,184	22,125	47,208	118,691
Total borrowings	<u>391,636</u>	<u>64,000</u>	<u>141,115</u>	<u>530,773</u>

As at 31 March 2018, 2019 and 2020 and 30 June 2020, the Group's borrowings were repayable as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Within 1 year	248,184	22,125	47,208	118,691
Between 1 and 2 years	83,463	9,375	26,252	90,351
Between 2 and 5 years	59,989	32,500	67,655	321,731
	<u>391,636</u>	<u>64,000</u>	<u>141,115</u>	<u>530,773</u>

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

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
SGD	93,136	–	48,692	437,641
RMB	298,500	64,000	92,423	93,132
	<u>391,636</u>	<u>64,000</u>	<u>141,115</u>	<u>530,773</u>

The weighted average effective interest rates per annum for the years ended 31 March 2018, 2019, 2020 and three months ended 30 June 2020 were as follows:

	Year ended 31 March			Three months
	2018	2019	2020	ended
				30 June
				2020
SGD	2.4%	2.4%	4.8%	3.5%
RMB	5.5%	5.6%	6.2%	6.3%

The fair values of the borrowings of the Group are approximate to their carrying amounts, since either the interest rates of those borrowings are close to current market rates or the borrowings are of a short-term nature.

Secured borrowings are pledged or guaranteed by the followings (Note 16, Note 17 and Note 23):

- (i) As at 31 March 2018, the borrowings of RMB132,789,000 were guaranteed by Tat Hong Holdings Ltd (“THH”), and secured by the pledge of machinery with carrying value of RMB401,962,000.

The borrowings of RMB73,947,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB90,271,000.

The borrowings of RMB62,290,000 were guaranteed by the Company and THH, and secured by the pledge of trade receivables of RMB204,460,000.

The borrowings of RMB57,610,000 were guaranteed by THH, and secured by the pledge of trade receivables of RMB100,800,000.

The borrowings of RMB50,000,000 were guaranteed by the Company and THH, and secured by the pledge of machinery with carrying value of RMB67,959,000.

The remaining borrowings of RMB15,000,000 were secured by Tat Hong Zhaomao.

- (ii) As at 31 March 2019, the borrowings of RMB50,000,000 were guaranteed by Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Tat Hong Zhaomao and related parties of the Group, including THH, Tat Hong Plant Leasing Pte. Ltd. (“THPL”), Tat Hong International Pte Ltd. (“THI”), Tat Hong Heavy Equipment Pte. Ltd. (“THHE”), THEC, BT Equipment Pty Ltd. (“BTE”), Muswellbrook Crane Services Pty. Ltd. (“MWB”), Tutt Bryant Group Limited (“TBG”), Tutt Bryant Hire Pty. Ltd. (“TBH”), Tat Hong Heavy Equipment (Hong Kong) Limited (“THHK”) and Tat Hong Plant Hire Sdn. Bhd. (“THPH”) and secured by the pledge of machinery with carrying value of RMB984,838,000 and equity shares of certain subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong.

The remaining borrowings of RMB14,000,000 were guaranteed by Tat Hong Zhaomao.

- (iii) As at 31 March 2020, the borrowings of RMB48,693,000 were guaranteed by the Company and THSC, and secured by the pledge of machinery with carrying value of RMB60,565,000.

The borrowings of RMB40,890,000 were guaranteed by Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Tat Hong Zhaomao and related parties of the Group, including THH, THPL, THI, THHE, THEC, BTE, MWB, TBG, TBH, THHK and THPH, and secured by the pledge of machinery with carrying value of RMB863,793,000 and equity shares of certain subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong.

The borrowings of RMB21,532,000 were guaranteed by the Company and THH, and secured by the pledge of machinery with carrying value of RMB26,335,000.

The borrowings of RMB20,000,000 were guaranteed by Tat Hong Zhaomao.

The remaining RMB10,000,000 were guaranteed by Tat Hong Zhaomao and one of the senior managements. Tat Hong Zhaomao has entered into an agreement with that senior management, pursuant to which Tat Hong Zhaomao agreed to compensate the senior management for any loss incurred by the senior management in relation to the guarantee provided.

- (iv) As at 30 June 2020, the syndicated bank borrowings of RMB387,826,000 were guaranteed by related parties of the Group, including THSC, THH, THPL, THI, THHE, THHK, THPH, TBG, BTE, MWB, and TBH, and also secured by the pledge of the equity shares of certain subsidiaries, including 100% of Tat Hong Zhaomao, 63% of Hengxingmao, 42% of Zhongjian Tat Hong and 41% of Huaxing Tat Hong. On 24 December 2020, the guarantee provided for those syndicated bank borrowings by those related parties of the Group has been released.

The borrowings of RMB48,447,000 were guaranteed by the Company and THSC, and secured by the pledge of machinery with carrying value of RMB59,575,000. On 23 December 2020, the Group has obtained the acknowledgement from the bank that the guarantee provided for those borrowings by THSC has been released, subject to the condition that the listing of shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited occur on or before 23 June 2021.

The borrowings of RMB40,000,000 were guaranteed by Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong, Tat Hong Zhaomao and related parties of the Group, including THH, THPL, THI, THHE, THEC, BTE, MWB, TBG, TBH, THHK and THPH, and secured by the pledge of machinery with carrying value of RMB912,222,000 and equity shares of certain subsidiaries, including 100% of

Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong. On 24 December 2020, the guarantee provided for that borrowings by those related parties of the Group has been released.

The borrowings of RMB22,000,000 were guaranteed by the Company and THH, and secured by the pledge of machinery with carrying value of RMB26,122,000. On 7 December 2020, the Group has obtained the acknowledgement from the bank that the guarantee provided by THH will be released upon initial listing of shares of the Company (the "Listing").

The borrowings of RMB15,000,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB10,000,000 were guaranteed by Tat Hong Zhaomao and one of the senior managements. Tat Hong Zhaomao has entered into an agreement with that senior management, pursuant to which Tat Hong Zhaomao agreed to compensate the senior management for any potential loss incurred by the senior management in relation to the guarantee provided.

The remaining borrowings of RMB7,500,000 were guaranteed by Tat Hong Zhaomao, one of the senior managements, a third-party company and the legal representative of that third-party company. Tat Hong Zhaomao has entered into agreements with the senior management, the third-party company and the legal representative of the third party respectively, pursuant to which Tat Hong Zhaomao agreed to compensate them for any loss incurred by them in relation to the guarantee provided. On 10 November 2020, the Group has repaid bank borrowings of RMB7,500,000 and the related guarantee has been released on the same day.

The Company

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Non-current				
Bank borrowings (Note 33)	–	–	–	323,876
Current				
Bank borrowings (Note 33)	–	–	–	63,950
Total borrowings	–	–	–	387,826

As of 30 June 2020, the bank borrowings of the Company were denominated in SGD with a weighted average interest rate of 3.2% per annum.

As at 30 June 2020, RMB63,950,000 of the borrowings of the Company are repayable in 1 year, RMB63,950,000 of the borrowings are repayable after 1 year but less than 2 years, the remaining RMB259,926,000 of the borrowings are repayable after 2 years but less than 5 years.

As at 30 June 2020, the syndicated bank borrowings of RMB387,826,000 of the Company were guaranteed by related parties of the Group, including THSC, THH, Tat Hong Plant Leasing Pte. Ltd., Tat Hong International Pte Ltd, Tat Hong Heavy Equipment Pte. Ltd., Tat Hong Heavy Equipment (Hong Kong) Limited, Tat Hong Plant Hire Sdn. Bhd., Tutt Bryant Group Limited, BT Equipment Pty. Ltd., Muswellbrook Crane Services Pty. Ltd. and Tutt Bryant Hire Pty. Ltd., and also secured by the pledge of the equity shares of certain subsidiaries, including 100% of Tat Hong Zhaomao, 63% of Hengxingmao, 42% of Zhongjian Tat Hong and 41% of Huaxing Tat Hong.

32 TRADE AND BILLS PAYABLES

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Accounts payable	153,113	157,463	128,979	181,869
Bills payable	16,154	15,994	23,002	17,912
	169,267	173,457	151,981	199,781

As at 31 March 2018, 2019, 2020 and 30 June 2020, the aging analyses of the trade payables (including amounts due to related parties of trading in nature) based on transaction date were as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Within 3 months	68,783	58,950	34,642	89,277
Between 3 months and 1 year	65,820	80,613	85,531	85,753
Between 1 year and 2 years	9,675	9,113	5,979	3,424
Between 2 years and 3 years	5,185	4,986	1,888	2,541
Between 3 years and 5 years	2,461	3,035	921	856
Over 5 years	1,189	766	18	18
	<u>153,113</u>	<u>157,463</u>	<u>128,979</u>	<u>181,869</u>

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

33 OTHER PAYABLES AND ACCRUALS – THE GROUP AND THE COMPANY

The Group

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Non-current				
Loans from a related party (i)	<u>115,368</u>	<u>447,642</u>	<u>428,209</u>	<u>–</u>
Current				
Other taxes payable	44,256	28,103	29,690	12,138
Accrued expenses	36,760	33,905	37,649	58,076
Dividend payable	–	3,603	–	–
Payroll and welfare payables	6,403	6,962	10,592	16,467
Interest payables	2,998	175	973	2,536
Loans from a related party (i)	–	–	–	30,820
Amounts due to related parties	631	633	633	633
Others	4,204	4,399	2,541	2,713
	<u>95,252</u>	<u>77,780</u>	<u>82,078</u>	<u>123,383</u>
	<u>210,620</u>	<u>525,422</u>	<u>510,287</u>	<u>123,383</u>

(i) As at 31 March 2018, 2019 and 2020 and 30 June 2020, the Group's loans from a related party were repayable as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Within 1 year	–	–	–	30,820
Between 1 and 2 years	115,368	200,843	216,021	–
Between 2 and 5 years	–	246,799	212,188	–
	<u>115,368</u>	<u>447,642</u>	<u>428,209</u>	<u>30,820</u>

Analysis of the carrying amounts of the Group's loans from a related party by denomination was as follows:

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
SGD	94,873	84,253	46,585	19,221
USD	6,503	95,775	134,050	1,273
RMB	13,992	267,614	247,574	10,326
	<u>115,368</u>	<u>447,642</u>	<u>428,209</u>	<u>30,820</u>

As at 31 March 2018, 2019 and 2020, certain loans from a related party with amounts of RMB13,992,000, RMB149,732,000, and RMB135,643,000 were borrowed through cash pooling arrangement, which was participated by certain subsidiaries of the Company and THEC.

As at 31 March 2018, 2019 and 2020, certain loans from a related party with amounts of RMB100,002,000, RMB123,763,000, and RMB97,003,000 were interest free. The remaining loans from a related party bore weighted average interest rates of approximately 4.27%, 4.74%, 4.84% and 4.67% per annum during the years ended 31 March 2018, 2019 and 2020, and the three months ended 30 June 2020, respectively.

In May 2020, the Group and THEC entered into an agreement to offset the loans to THEC and loans from THEC amounting to RMB23,232,000, after which the remaining balance of loan from THEC is RMB393,617,000.

Subsequently, the Group borrowed the syndicated bank borrowings amounting to SGD78,684,000, equivalent to RMB393,617,000, to repay the Group's loans from THEC with same amount, through settlement by the banks to THEC directly.

The carrying amounts of other payables and accruals approximate their fair values.

During October to December 2020, the Group has repaid the loans from a related party with total amount of RMB30,820,000.

On 25 December 2020, the Group has repaid the amounts due to related parties with total amount of RMB633,000.

The Company

	As at 31 March			As at
	2018	2019	2020	30 June
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
Non-current				
Loans from a related party (i)	<u>6,503</u>	<u>94,722</u>	<u>132,997</u>	<u>–</u>
Current				
Dividend payable	–	3,603	–	–
Accrued expenses	424	734	8,424	8,310
Loans from a related party (i)	–	–	–	20,428
Amounts due to subsidiaries	–	–	1,337	1,362
	<u>424</u>	<u>4,337</u>	<u>9,761</u>	<u>30,100</u>
	<u>6,927</u>	<u>99,059</u>	<u>142,758</u>	<u>30,100</u>

- (i) As at 31 March 2018, 2019 and 2020 and 30 June 2020, the Company's loans from a related party were repayable as follows:

	2018 <i>RMB'000</i>	As at 31 March 2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	As at 30 June 2020 <i>RMB'000</i>
Within 1 year	–	–	–	20,428
Between 1 and 2 years	6,503	94,722	132,997	–
	<u>6,503</u>	<u>94,722</u>	<u>132,997</u>	<u>20,428</u>

Analysis of the carrying amounts of the Company's loans from a related party by denomination was as follows:

	2018 <i>RMB'000</i>	As at 31 March 2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	As at 30 June 2020 <i>RMB'000</i>
SGD	–	–	–	19,197
USD	6,503	94,722	132,997	1,231
	<u>6,503</u>	<u>94,722</u>	<u>132,997</u>	<u>20,428</u>

As at 31 March 2018, 2019 and 2020, certain loans from a related party of the Company with amounts of RMB5,129,000, RMB93,039,000, and RMB97,003,000 were interest free. The remaining loans from a related party bore weighted average interest rates of approximately 3.96%, 3.76%, 3.11% and 4.24% per annum during the years ended 31 March 2018, 2019 and 2020, and the three months ended 30 June 2020, respectively.

During October to December 2020, the Company has repaid the loans from a related party with total amount of RMB20,428,000.

34 PROVISIONS

	2018 <i>RMB'000</i>	As at 31 March 2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	As at 30 June 2020 <i>RMB'000</i>
Non-current Decommissioning liabilities	<u>39,857</u>	<u>29,683</u>	<u>29,367</u>	<u>28,465</u>
Current Decommissioning liabilities	<u>46,598</u>	<u>36,759</u>	<u>31,584</u>	<u>29,942</u>

The movement of the provisions is as follows:

	2018 <i>RMB'000</i>	As at 31 March 2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	As at 30 June 2020 <i>RMB'000</i>
At the beginning of the year/period	73,484	86,455	66,442	60,951
Provisions for decommissioning liabilities	90,400	60,729	79,652	20,125
Incurred and charged against the provision	<u>(77,429)</u>	<u>(80,742)</u>	<u>(85,143)</u>	<u>(22,669)</u>
At the end of the year/period	<u>86,455</u>	<u>66,442</u>	<u>60,951</u>	<u>58,407</u>

35 CASH GENERATED FROM OPERATIONS

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Profits before income tax	54,598	86,992	111,208	40,931	40,818
Adjustment for:					
Depreciation of property, plant, and equipment and right-of-use assets and amortisation of intangible asset	195,132	240,019	238,698	56,444	59,744
Losses/(gains) on disposal of property, plant and equipment	1,668	2,553	(280)	301	(480)
Fair value losses on financial liabilities at fair value through profit or loss	1,815	119	–	–	–
Finance income and costs	22,136	37,614	32,661	11,596	12,223
Net impairment losses on financial assets and contract assets	1,588	1,341	5,464	560	885
Net exchange differences	63	(991)	(184)	16	(49)
Operating profit before changes in working capital	277,000	367,647	387,567	109,848	113,141
Changes in working capital:					
(Increase)/decrease in inventories	(2,662)	(532)	(2,715)	(2,112)	462
Increase in contract assets	(29,296)	(38,201)	(38,835)	(6,248)	(55,014)
Increase in trade receivables	(15,295)	(40,295)	(98,297)	(67,665)	(59,300)
Decrease/(increase) in financial assets at fair value through other comprehensive income	3,346	7,785	(2,135)	(3,207)	(1,396)
(Increase)/decrease in other operating assets	(1,003)	2,772	25,817	21,843	2,184
Increase/(decrease) in trade and bills payables	10,097	(3,829)	(27,035)	24,725	44,311
Increase/(decrease) in contract liabilities	7,286	(280)	(3,766)	(3,192)	(900)
Increase/(decrease) in other operating liabilities	33,801	(21,075)	(8,719)	(5,562)	21,205
Cash generated from operations	<u>283,274</u>	<u>273,992</u>	<u>231,882</u>	<u>68,430</u>	<u>64,693</u>

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Net book amount	16,012	26,276	14,703	4,294	5,602
(Losses)/gains on disposals of property, plant and equipment	(1,668)	(2,553)	280	(301)	480
Proceeds from disposals of property, plant and equipment	<u>14,344</u>	<u>23,723</u>	<u>14,983</u>	<u>3,993</u>	<u>6,082</u>

(a) Non-cash investing and financing activities

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Offsetting loans from a related party and loans to a related party	–	–	–	–	23,232
Settlement of loans from a related party by raising syndicated bank borrowings	–	–	–	–	393,617
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>416,849</u>

(b) Net debt reconciliation

	As at 31 March			As at 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000
Cash and cash equivalents	15,291	36,911	44,430	44,863
Borrowings	(391,636)	(64,000)	(141,115)	(530,773)
Loans from a related party	(115,368)	(447,642)	(428,209)	(30,820)
Lease liabilities	(79,384)	(74,944)	(51,941)	(47,194)
Net debt	<u>(571,097)</u>	<u>(549,675)</u>	<u>(576,835)</u>	<u>(563,924)</u>

	Cash and cash equivalents <i>RMB'000</i>	Borrowings <i>RMB'000</i>	Loans from a related party <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
Net debt as at					
31 March 2017	47,042	(472,834)	(107,914)	(86,623)	(620,329)
Cash flows	(31,688)	76,461	(9,788)	53,891	88,876
Acquisitions and other non-cash movement	–	–	–	(46,652)	(46,652)
Foreign exchange adjustments	(63)	4,737	2,334	–	7,008
Net debt as at					
31 March 2018	15,291	(391,636)	(115,368)	(79,384)	(571,097)
Cash flows	20,629	331,604	(328,464)	65,081	88,850
Acquisitions and other non-cash movement	–	–	–	(60,641)	(60,641)
Foreign exchange adjustments	991	(3,968)	(3,810)	–	(6,787)
Net debt as at					
31 March 2019	36,911	(64,000)	(447,642)	(74,944)	(549,675)
Cash flows	7,335	(78,720)	27,202	44,566	383
Acquisitions and other non-cash movement	–	–	–	(21,563)	(21,563)
Foreign exchange adjustments	184	1,605	(7,769)	–	(5,980)
Net debt as at 31 March 2020	44,430	(141,115)	(428,209)	(51,941)	(576,835)
Cash flows	384	11,158	(20,207)	9,216	551
Acquisitions and other non-cash movement (i)	–	(393,617)	416,849	(4,469)	18,763
Foreign exchange adjustments	49	(7,199)	747	–	(6,403)
Net debt as at 30 June 2020	44,863	(530,773)	(30,820)	(47,194)	(563,924)
Net debt as at					
31 March 2019 (Unaudited)	36,911	(64,000)	(447,642)	(74,944)	(549,675)
Cash flows	12,716	(5,500)	(7,353)	10,640	10,503
Acquisitions and other non-cash movement	–	–	–	(17,732)	(17,732)
Foreign exchange adjustments	(16)	–	(5,324)	–	(5,340)
Net debt as at 30 June 2019	49,611	(69,500)	(460,319)	(82,036)	(562,244)

(i) Please refer to Note 33 for details.

36 COMMITMENTS**(i) Capital commitments**

As at 31 March 2018, 2019, 2020 and 30 June 2020, the Group had the following capital commitments:

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for – Property, plant and equipment	18,212	20,953	8,619	5,144

(ii) Lease commitments

As at 31 March 2018, 2019, 2020 and 30 June 2020, the Group had the following lease commitments:

	2018	As at 31 March 2019	2020	As at 30 June 2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
No later than 1 year	10,491	5,813	5,704	4,286

37 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transaction or balances with the Group during the Track Record Period:

Name of related parties	Relationship with the Company
Chwee Cheng & Sons Pte Ltd	Ultimate parent company
Tat Hong Equipment (China) Pte. Ltd. ("THEC")	Intermediate parent company
THSC Investments Pte. Ltd. ("THSC")	Intermediate parent company
Tat Hong Holdings Ltd ("THH")	Intermediate parent company
China Nuclear Industry Huaxing Construction Co., Ltd. ("China Nuclear Industry")	Controlled by a director of the Company
Tat Hong Heavy Equipment Pte. Ltd. ("THHE")	Under common control by THH
Beijing Tat Hong Zhaomao Equipment Rental Co., Ltd. ("Beijing Tat Hong")	Under common control by THH
Tat Hong Zhiyuan (Jiangsu) Equipment Rental Co., Ltd. ("Tat Hong Zhiyuan")	Under common control by THH
Sichuan Tat Hong Yuan Zheng Machinery Construction Co., Ltd. ("Sichuan Tat Hong")	Under common control by THH
PT Tatindo Heavy Equipment ("PT Tatindo")	Under common control by THH
Yongmao Holdings Limited ("Yongmao")	Associate of THH
Fushun Yongmao Construction Machinery Co., Ltd. ("Fushun Yongmao")	Controlled by Yongmao
Beijing Yongmao Jiangong Machinery Manufacturing Co., Ltd. ("Beijing Yongmao")	Controlled by Yongmao
THPL (i)	Under common control by THH
THI	Under common control by THH
THHK (i)	Under common control by THH
THPH(i)	Under common control by THH
TBG (i)	Under common control by THH
BTE (i)	Under common control by THH
MWB (i)	Under common control by THH
TBH (i)	Under common control by THH

- (i) Mr. Ng San Tiong, the chairman of the Board of Directors of the Company, is also a director of these related parties.

(b) Transactions with related parties

In addition to the bank borrowings guaranteed by THH, THSC, THPL, THI, THHE, THHK, THPH, TBG, BTE, MWB, TBH and one of the senior managements as disclosed in Note 31, and the lease liabilities guaranteed by one of the senior managements as disclosed in Note 18, other significant related party transactions of the Group are listed as follows:

(i) Services provided to related parties

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Controlled by a director of the Company	37,984	39,908	36,762	9,962	9,239
Controlled by Yongmao	–	–	183	–	–
	<u>37,984</u>	<u>39,908</u>	<u>36,945</u>	<u>9,962</u>	<u>9,239</u>

(ii) Machineries and consumables purchased from related parties

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Controlled by Yongmao	41,858	40,664	67,074	21,891	8,661
Under common control by THH	1,437	1,946	–	–	283
	<u>43,295</u>	<u>42,610</u>	<u>67,074</u>	<u>21,891</u>	<u>8,944</u>

(iii) Sale of property, plant and equipment to a related party

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Under common control by THH	–	2,379	2,744	–	–
	<u>–</u>	<u>2,379</u>	<u>2,744</u>	<u>–</u>	<u>–</u>

(iv) Purchase of right-of-use assets from a related party

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000 (Unaudited)	2020 RMB'000
Controlled by Yongmao	1,439	–	–	–	–
	<u>1,439</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

(v) *Loans to a related party*

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
Intermediate parent company	–	14,327	9,649	–	–

(Unaudited)

(vi) *Loans from a related party*

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
Intermediate parent company	29,666	450,539	61,398	17,353	20,207

(Unaudited)

(vii) *Repayment of loans from a related party*

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
Intermediate parent company	19,878	122,075	88,600	10,000	–

(Unaudited)

(viii) *Rental expenses*

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
Controlled by Yongmao	1,796	4,210	4,928	760	127
Under common control by THH	726	124	35	–	6
	2,522	4,334	4,963	760	133

(Unaudited)

(ix) *Interest income*

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
Loans to a related party – Intermediate parent company	–	–	702	146	89

(Unaudited)

(x) Interest expenses

	Year ended 31 March			Three months ended 30 June	
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000
Loans from a related party					
– Intermediate parent company	1,031	9,133	16,004	4,045	1,901
Lease liabilities					
– Controlled by Yongmao	202	92	–	–	–

(xi) Guarantees

As at 31 March 2019, 2020 and 30 June 2020, the Syndication Loan borrowed by THSC amounting to SGD430,000,000 was secured by the pledges of the Group's property, plant and equipment with carrying amounts of RMB984,838,000, RMB863,793,000 and RMB912,222,000, pledges of the equity shares of the Group's subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong, and the guarantees provided by the Group's subsidiaries including Hengxingmao, Huaxing Tat Hong and Zhongjian Tat Hong, together with the guarantees and pledges provided by other related parties of the Group.

On 24 December 2020, the guarantee provided for the Syndication Loan by the Group has been released.

(c) Terms and conditions

The interest rate per annum on the loans to a related party was 4.35% during the years ended 31 March 2019 and 2020 and the three months ended 30 June 2020.

As at 31 March 2018, 2019 and 2020, certain loans from a related party with amounts of RMB100,002,000, RMB123,763,000, and RMB97,003,000 were interest free. The remaining loans from a related party bore weighted average interest rates of approximately 4.27%, 4.74%, 4.84% and 4.67% per annum during the years ended 31 March 2018, 2019 and 2020, and the three months ended 30 June 2020, respectively. As at 31 March 2018, 2019 and 2020, the Group has an irrevocable right to extend the loan at its sole discretion. The loans from a related party were not secured.

*(d) Balances with related parties**(i) Receivables from related parties*

	As at 31 March			As at 30 June
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2020 RMB'000
Trade				
Contract assets				
– Controlled by a director of the Company	11,750	18,589	16,291	14,593
Accounts receivable				
– Controlled by a director of the Company	14,775	11,783	15,848	19,668
– Under common control by THH	349	240	–	–
	15,124	12,023	15,848	19,668

	2018 RMB'000	As at 31 March 2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000
Bills receivable				
– Controlled by a director of the Company	4,100	–	1,270	550
Non-trade				
Other receivables				
– Under common control by THH	181	2,941	21	21
(ii) Prepayments to related parties				
	2018 RMB'000	As at 31 March 2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000
Trade				
Controlled by Yongmao	2,662	1,541	1,703	2,727
(iii) Loans to a related party				
	2018 RMB'000	As at 31 March 2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000
Non-trade				
Intermediate parent company	–	14,327	23,976	838
(iv) Loans from a related party				
	2018 RMB'000	As at 31 March 2019 RMB'000	2020 RMB'000	As at 30 June 2020 RMB'000
Non-trade				
Intermediate parent company	115,368	447,642	428,209	30,820

The fair values of the loans from a related party 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 loans are of a short-term nature.

(v) *Payables to related parties*

	As at 31 March			As at 30 June
	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade				
Accounts payable				
– Controlled by Yongmao	45,692	55,950	47,341	51,696
– Under common control by THH	26,542	19,785	–	12
– Controlled by a director of the Company	202	256	–	203
	<u>72,436</u>	<u>75,991</u>	<u>47,341</u>	<u>51,911</u>
Bills payable				
– Controlled by Yongmao	<u>1,304</u>	<u>1,152</u>	<u>–</u>	<u>–</u>
Lease liabilities				
– Controlled by Yongmao	<u>4,213</u>	<u>–</u>	<u>–</u>	<u>–</u>
Non-Trade				
Other payables and accruals				
– Controlled by Yongmao	<u>631</u>	<u>633</u>	<u>633</u>	<u>633</u>

During October to December 2020, all the non-trade other receivables, loans to a related party, loans from a related party and other payables and accruals have been settled.

(e) **Key management compensation**

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 March			Three months ended 30 June	
	2018	2019	2020	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(Unaudited)</i>	
Salaries, bonus and other welfare	<u>5,825</u>	<u>6,463</u>	<u>6,305</u>	<u>1,576</u>	<u>2,108</u>

38 CONTINGENT LIABILITIES

Other than those disclosed in Note 37 on the contingent liabilities arising from the guarantee and pledge provided by the Group for the Syndication Loan borrowed by THSC, there are no significant contingent liabilities as at 30 June 2020.

39 SUBSEQUENT EVENTS

Other than as disclosed elsewhere, the following significant subsequent event took place:

On 24 September 2020, the shareholders' meeting approved dividends of RMB7.6 million, which has been paid on 14 December 2020 and 15 December 2020.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020 and up to the date of this report. Saved as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2020.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 as if the Global Offering had taken place on 30 June 2020.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2020 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 <i>(Note 1)</i> RMB'000	Estimated net proceeds from the Global Offering <i>(Note 2)</i> RMB'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 RMB'000	Unaudited pro forma adjusted net tangible assets per Share <i>(Note 3)</i> RMB HK\$	
Based on an Offer Price of HK\$1.50 per Offer Share	1,043,716	365,401	1,409,117	1.21	1.32
Based on an Offer Price of HK\$1.96 per Offer Share	1,043,716	483,760	1,527,476	1.31	1.43

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2020 of RMB1,077,144,000 with adjustments for the intangible assets as at 30 June 2020 of RMB33,428,000;
- (2) The estimated net proceeds from the Global Offering are based on 291,720,000 new Shares at the indicative Offer Price of HK\$1.50 and HK\$1.96 per Offer Share, being the low end to high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB17,868,000 which have been accounted for in the Group's consolidated statements of comprehensive income prior to 30 June 2020) payable by the Company and takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus;
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in Note 2 above and on the basis that 1,166,871,250 Shares were in issue assuming that the Global Offering had been completed on 30 June 2020 but takes no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed "Share Capital" in this prospectus;
- (4) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020 including but not limited to a dividend of RMB7,646,000, which was approved at the shareholders' meeting on 24 September 2020. Had such dividend been taken into account, the unaudited pro forma adjusted net tangible assets per Share would have been HK\$1.31 and HK\$1.42 per Share based on the Offer Price of HK\$1.50 and HK\$1.96 per Offer Share, respectively.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of RMB1.00 to HK\$1.094. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of Tat Hong Equipment Service Co., Ltd.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tat Hong Equipment Service Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2020, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 30 December 2020, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 June 2020 as if the proposed initial public offering had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 30 June 2020, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 June 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 30 December 2020

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 August 2014 under the Companies Act, as consolidated and revised) of the Cayman Islands (the “Companies Act”). The Company’s constitutional documents consist of its Memorandum of Association (the “Memorandum”) and its Articles of Association (the “Articles”).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 15 December 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions

of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect

of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence

of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members***(i) Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or

deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers; and
 - (ee) the fixing of the remuneration of the directors and of the auditors.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share

must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or

continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 30 September 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("ES Law") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 26 August 2014. Our Company has established a principal place of business in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 16 September 2019. In connection with such registration, Ms. Yeung Ching Man has been appointed as authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Act and its constitution documents comprising the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Act is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of NT\$10 divided into 1 Share with a par value of NT\$10 each, of which 1 Share was allotted and issued as fully paid to an initial subscriber. Subsequently on the same date, the subscriber transferred one subscriber Share to Tat Hong China at par.
- (b) On 29 January 2015, the authorised share capital of our Company was increased to NT\$1,500,000,000 divided into 150,000,000 Shares with a par value of NT\$10 each.
- (c) On 25 August 2017, the shareholders of the Company passed resolutions to the effect that (a) the authorised share capital of the Company was increased (from NT\$1,500,000,000 divided into 150,000,000 shares of NT\$10 each) by US\$150,000,000 by the creation of 150,000,000 Shares of a par value of US\$1.00 each; (b) following such increase, 70,012,100 new Shares were allotted and issued fully paid to the existing shareholders, pro rata to their then interests in the issued share capital of the Company; (c) following such issue of Shares, the Company repurchased for cancellation the 70,012,100 existing issued shares of NT\$10 each in the capital of the Company in issue immediately prior to the said issue of new Shares; and (d) following such repurchase, the authorised but unissued share capital of the Company was diminished by the cancellation of all the 150,000,000 unissued shares of NT\$10 each in the capital of the Company.

Accordingly, following the completion of the steps outlined above, the Company had an authorised share capital of US\$150,000,000 divided into 150,000,000 Shares, of which 70,012,100 Shares were in issue.

- (d) On 5 December 2019, the shareholders of the Company passed resolutions to the effect that (i) every issued and unissued shares of US\$1.00 each was subdivided into 12.5 shares of US\$0.08 each; (ii) following the subdivision, the authorised share capital of the Company of US\$150,000,000 was divided into 1,875,000,000 Shares and the issued share capital of the Company of US\$70,012,100 was divided into 875,151,250 shares of US\$0.08.
- (e) Other than any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options that may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company – 3. Written resolutions of our Shareholders” in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in this Appendix IV and the sections headed “History, Reorganisation and Corporate Structure” and “Share capital” in this prospectus, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of our Shareholders

Pursuant to the written resolutions of our Shareholders passed on 15 December 2020, among other things:

- (a) Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus being fulfilled or waived (if applicable):
 - (i) the Global Offering were approved and our Directors or any committee of the Board were authorised to (aa) allot and issue the Offer Shares and Shares issued pursuant to the exercise of the Over-allotment Option to rank pari passu with the then existing Shares in all respects; (bb) implement the Global Offering and the Listing; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors or any committee of the Board were authorised, subject to the terms and conditions of the Share Option Scheme, to implement the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

- (iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or the exercise of the Over-allotment Option or pursuant to the exercise of any options that may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, such number of Shares not exceeding (1) 20% of the aggregate number of our issued Shares as enlarged by the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate number of our issued Shares repurchased under the Repurchase Mandate as defined in paragraph (iv) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;
 - (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
 - (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (iv) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of our issued Shares immediately following the completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of our Company;

- (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands;
- (3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) the general unconditional mandate mentioned in paragraph (iii) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (iv) above provided that such extended amount shall not exceed 10% of the aggregate number of our issued Shares immediately following the completion of the Global Offering excluding any Shares which may be issued upon exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme; and
- (vi) our Company approved and adopted the Articles of Association, the terms of which are summarised in Appendix III to this prospectus, with effect upon the Listing.

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the paragraphs headed “History, Reorganisation and Corporate Structure – Reorganisation” of this prospectus. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group’s structure after the Reorganisation and immediately upon completion of the Global Offering (assuming that no Share has been issued pursuant to the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme) are set out in the paragraphs headed “History, Reorganisation and Corporate Structure – Reorganisation” of this prospectus.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the paragraphs headed “History, Reorganisation and Corporate Structure – Establishment and development of the subsidiaries of our Company”, there was no change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note:

Pursuant to the written resolutions passed by our Shareholders on 15 December 2020, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to repurchase the Shares as described above in the paragraphs headed "A. Further information about our Company – 3. Written resolutions of our Shareholders" in this Appendix.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company. Subject to the Companies Act, a repurchase of Shares may also be paid out of capital.

(iii) Core connected persons

Under the Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(iv) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(v) Status of repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company shall be treated as cancelled and the amount of the company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(vi) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not

required under the Listing Rules); and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vii) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(b) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 1,166,871,250 Shares in issue immediately after Listing (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), could accordingly result in up to 116,687,125 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors

do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Deed of Indemnity;
- (b) the Deed of Non-competition;

- (c) the Hong Kong Underwriting Agreement;
- (d) a cornerstone investment agreement dated 16 December 2020 made between our Company, Yanlord Investment Limited, Fortune Financial Capital Limited 富強金融資本有限公司 and Fortune (HK) Securities Limited 富強證券有限公司 pursuant to which Yanlord Investment Limited has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares) that may be purchased with HK\$58.584466 million (inclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee); and
- (e) a cornerstone investment agreement dated 28 December 2020 made between our Company, Zoomlion International Trading (H.K.) Co., Limited 中聯重科國際貿易(香港)有限公司, Fortune Financial Capital Limited 富強金融資本有限公司 and Fortune (HK) Securities Limited 富強證券有限公司 pursuant to which Zoomlion International Trading (H.K.) Co., Limited 中聯重科國際貿易(香港)有限公司 has agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to nearest whole board lot of 2,000 Shares) that may be purchased with HK\$152.86 million (inclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee).

2. Intellectual property rights of our Company

(a) Trademarks

- (i) As of the Latest Practicable Date, we are the owner of the following trademarks which we consider to be or may be material to our business:

	Trademark	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Class (Note)
1.	中核華興達豐	Huaxing Tat Hong	21 September 2017	20 September 2027	PRC	20807739	7
2.	中核華興達豐	Huaxing Tat Hong	21 September 2017	20 September 2027	PRC	20807725	37
3.	中核華興達豐	Huaxing Tat Hong	21 September 2017	20 September 2027	PRC	20807696	42
4.	中核華興達豐	Huaxing Tat Hong	21 September 2017	20 September 2027	PRC	20805806	7
5.	中核華興達豐	Huaxing Tat Hong	21 September 2017	20 September 2027	PRC	20805814	37

	Trademark	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Class (Note)
6.		Huaxing Tat Hong	21 September 2017	20 September 2027	PRC	20805818	42
7.	达丰	Tat Hong Zhaomao	28 March 2016	27 March 2026	PRC	16335193	37
8.	达丰	Tat Hong Zhaomao	7 April 2017	6 April 2027	PRC	16335194	7
9.	TAT HONG	Tat Hong Zhaomao	7 November 2016	6 November 2026	PRC	16335192	35
10.		Tat Hong Zhaomao	14 May 2013	13 May 2023	PRC	9926020	35

- (ii) As of the Latest Practicable Date, we have been granted a non-exclusive license by Tat Hong Holdings, one of our Controlling Shareholders, to use the following registered trademarks in our operations, which are considered to be or may be material to our business:

	Trademark	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Class (Note)
1.	TAT HONG	Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199553	42
2.	TAT HONG	Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199554	37
3.	TAT HONG	Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199555	36
4.	TAT HONG	Tat Hong Holdings	7 May 2014	6 May 2024	PRC	9199556	7
5.		Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199557	42
6.		Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199558	37
7.		Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199559	36
8.		Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199560	35
9.		Tat Hong Holdings	21 March 2012	20 March 2022	PRC	9199561	7

(b) Patents

(i) As at the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of application	Expiry date
1.	PRC	Thermal detector for tower crane transmission system* (塔式起重機傳動系統用熱檢測器)	Zhongjian Tat Hong	ZL201620921659.5	Utility Model	22 August 2016	21 August 2026
2.	PRC	Tower crane attachment otic placode* (一種塔吊附著耳板)	Zhongjian Tat Hong	ZL201621061432.4	Utility Model	18 September 2016	17 September 2026
3.	PRC	Ear plate attachment for cylinder tower crane* (一種抱圓柱塔吊附著耳板)	Zhongjian Tat Hong	ZL201621061433.9	Utility Model	18 September 2016	17 September 2026
4.	PRC	Pre-buried stirrup of tower crane* (一種塔吊預埋馬鐙)	Zhongjian Tat Hong	ZL201621061431.X	Utility Model	18 September 2016	17 September 2026
5.	PRC	Pull rod and tower crane attachment mechanism* (一種拉桿及塔吊附著機構)	Zhongjian Tat Hong	ZL201621061283.1	Utility Model	18 September 2016	17 September 2026
6.	PRC	Tower crane rotation control unit* (塔式起重機回轉控制單元)	Zhongjian Tat Hong	ZL201721351885.5	Utility Model	19 October 2017	18 October 2027
7.	PRC	Tower crane anti-climb device* (塔式起重機防攀爬裝置)	Zhongjian Tat Hong	ZL201820347981.0	Utility Model	14 March 2018	13 March 2028
8.	PRC	Tower crane instrumental attachment operation platform* (塔式起重機工具式附著操作平台)	Zhongjian Tat Hong	ZL201820347950.5	Utility Model	14 March 2018	13 March 2028
9.	PRC	Tower crane instrumental attachment passageway* (塔式起重機工具式附著通道)	Zhongjian Tat Hong	ZL201820462808.5	Utility Model	3 April 2018	2 April 2028
10.	PRC	Lifting post* (起重扒桿)	Zhongjian Tat Hong	ZL201920850589.2	Utility Model	6 June 2019	5 June 2029
11.	PRC	Hydraulic oil cylinder testing platform* (液壓油缸試驗平台)	Zhongjian Tat Hong	ZL201920850578.4	Utility Model	6 June 2019	5 June 2029
12.	PRC	Rotation speed tracking system of a rotating equipment* (一種旋轉機構的轉速跟蹤系統)	Zhongjian Tat Hong	ZL201511023199.0	Invention	30 December 2015	29 December 2035
13.	PRC	Steel sleeve with mechanism to prevent loosening of pin shaft* (防銷軸外竄鋼套)	Zhongjian Tat Hong	ZL201921998313.5	Utility Model	19 November 2019	18 November 2029
14.	PRC	Safety device attached to walls* (一種附牆安全裝置)	Zhongjian Tat Hong	ZL202020109454.3	Utility Model	18 January 2020	17 January 2030

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of application	Expiry date
15.	PRC	Protective device for oil cylinders with frames* (一種套架油缸保護裝置)	Zhongjian Tat Hong	ZL202020109455.8	Utility Model	18 January 2020	17 January 2030
16.	PRC	Insulating voltage-withstand unhooking device for hoisting hanging* (起重吊掛耐壓絕緣摘鉤裝置)	Changzhou Tat Hong	ZL201721100972.3	Utility Model	30 August 2017	29 August 2027
17.	PRC	Novel tower crane attachment structure for high power transmission and transformation electric tower* (用於超高大輸變電鐵塔的新型塔機附著結構)	Changzhou Tat Hong	ZL201721047939.9	Utility Model	21 August 2017	20 August 2027
18.	PRC	Attachment frame support stand* (附著框支撐架)	Changzhou Tat Hong	ZL201721047965.1	Utility Model	21 August 2017	20 August 2027
19.	PRC	Prefabricated combination room tower crane attachment built-in fitting* (預製組合房塔吊附著預埋件)	Changzhou Tat Hong	ZL201721048407.7	Utility Model	21 August 2017	20 August 2027
20.	PRC	Wire rope hopping early warning device* (一種鋼絲繩跳槽預警裝置)	Huaxing Tat Hong	ZL201721216665.1	Utility Model	21 September 2017	20 September 2027
21.	PRC	Crew cut tower machine H type steel tower body jacking auto-lock safety device* (一種平頭塔機H型鋼塔身頂升自鎖安全裝置)	Huaxing Tat Hong	ZL201721095466.X	Utility Model	30 August 2017	29 August 2027
22.	PRC	Cable transfer fixing device for tower crane* (用於塔式起重機的電纜轉接固定裝置)	Huaxing Tat Hong	ZL201620846398.5	Utility Model	8 August 2016	7 August 2026
23.	PRC	Novel tower crane counter weight self-dismantling device* (新型塔機配重自拆裝置)	Huaxing Tat Hong	ZL201620493021.6	Utility Model	27 May 2016	26 May 2026
24.	PRC	Anti-typhoon coupling device for moving-type tower crane chassis* (行走式塔機底架防颱風聯接裝置)	Huaxing Tat Hong	ZL201620431567.9	Utility Model	13 May 2016	12 May 2026
25.	PRC	Multi-functional cross-beam chassis foundation for nuclear power station reactor core* (核電站堆芯多功能井字樑底架基礎)	Huaxing Tat Hong	ZL201620369833.X	Utility Model	28 April 2016	27 April 2026

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of application	Expiry date
26.	PRC	Tower crane's novel soft anchorage device* (塔式起重機的新型軟附著裝置)	Huaxing Tat Hong	ZL201620313815.X	Utility Model	15 April 2016	14 April 2026
27.	PRC	Tower crane attachment frame convenient to adhere to* (便於附著的塔式起重機附著框)	Huaxing Tat Hong	ZL201620314287.X	Utility Model	15 April 2016	14 April 2026
28.	PRC	Tower crane soft anchorage frame* (基於塔式起重機軟附著的附著框)	Huaxing Tat Hong	ZL201620314289.9	Utility Model	15 April 2016	14 April 2026
29.	PRC	Modularization combination wall-attached vaulting pole for tower crane* (塔式起重機用模塊化組合式附牆撐桿)	Huaxing Tat Hong	ZL201520317277.7	Utility Model	18 May 2015	17 May 2025
30.	PRC	Internet of Things multiple-unit controlled heavy goods deploying lifting machine* (一種物聯網多元控制的大型貨物調配起吊機)	Huaxing Tat Hong	ZL201510002034.9	Invention	4 January 2015	3 January 2035
31.	PRC	Novel tower crane hydraulic compression oil cylinder* (一種新型塔機液壓油缸)	Huaxing Tat Hong	ZL201920140618.6	Utility Model	28 January 2019	27 January 2029
32.	PRC	Novel tower crane hydraulic compression pumping station* (一種新型塔機液壓泵站)	Huaxing Tat Hong	ZL201920140619.0	Utility Model	28 January 2019	27 January 2029
33.	PRC	Lifting device of balance tower crane with self-adjusting center of gravity* (一種重心自適應的平衡塔機吊裝裝置)	Huaxing Tat Hong	ZL201920140956.X	Utility Model	28 January 2019	27 January 2029
34.	PRC	Moisture-proof device for hydraulic pump station of tower crane* (一種塔機液壓泵站防潮裝置)	Huaxing Tat Hong	ZL201920146352.6	Utility Model	29 January 2019	28 January 2029
35.	PRC	Traction safety antifalling device for tower crane straight climbing ladder* (一種塔機直爬梯牽引安全防墜裝置)	Huaxing Tat Hong	ZL201920146351.1	Utility Model	29 January 2019	28 January 2029
36.	PRC	Controllable safety device of tower crane cab* (一種塔式起重機駕駛室可控式安全裝置)	Huaxing Tat Hong	ZL201921145184.5	Utility Model	22 July 2019	21 July 2029
37.	PRC	Tower crane driver's room* (塔機司機室)	Huaxing Tat Hong	ZL201930400871.6	Design	26 July 2019	25 July 2029

No.	Place of registration	Title of patent	Registered owner	Registration number	Patent type	Date of application	Expiry date
38.	PRC	Convenient installation and disassembling device for standard section platform climbing ladder* (一種標準節平台爬梯便捷安裝裝置)	Huaxing Tat Hong	ZL201921778387.8	Utility Model	22 October 2019	21 October 2029
39.	PRC	Supporting frame for externally attached tower crane with movable arm for ultra-high rise buildings and construction method thereof* (一種超高層外掛動臂塔吊支撐架及其施工方法)	Huaxing Tat Hong	ZL201910938541.1	Invention	30 September 2019	29 September 2039
40.	PRC	Lifting device with toughened glass for working at heights* (一種高空作業鋼化玻璃升降吊裝設備)	Huaxing Tat Hong	ZL201910444947.4	Invention	27 May 2019	26 May 2039
41.	PRC	Global positioning system (GPS) integrated box and GPS-based tower crane dynamic management system* (GPS集成盒及基於GPS的塔式起重機動態管理系統)	Tat Hong Zhaomao	ZL201320011643.7	Utility Model	10 January 2013	9 January 2023

(ii) As at the Latest Practicable Date, our Group had filed the following patent applications which we consider to be or may be material to our business:

No.	Place of registration	Title of patent	Applicant	Application number	Patent type	Date of application
1.	PRC	Tower crane rotation control unit* (塔式起重機回轉控制單元)	Zhongjian Tat Hong	201710996828.0	Invention	19 October 2017
2.	PRC	Insulating voltage-withstand unhooking device for hoisting hanging* (起重吊掛耐壓絕緣摘鉤裝置)	Changzhou Tat Hong	201710765733.8	Invention	30 August 2017

No.	Place of registration	Title of patent	Applicant	Application number	Patent type	Date of application
3.	PRC	Maintenance platform for oil hydraulic jack* (一種頂升油缸維修平台)	Zhongjian Tat Hong	202020920416.6	Utility Model	27 May 2020
4.	PRC	Maintenance platform for oil hydraulic jack* (一種頂升油缸維修平台)	Zhongjian Tat Hong	202010463014.2	Invention	27 May 2020
5.	PRC	Derrick crane device* (桅桿起重機)	Zhongjian Tat Hong	202010502828.2	Invention	5 June 2020
6.	PRC	Stabilising frame for tower cranes* (一種塔吊穩固框)	Zhongjian Tat Hong	202021029726.5	Utility Model	8 June 2020
7.	PRC	Multi-sectional embedded device for fixing tower cranes* (一種塔吊多截面預埋固定裝置)	Zhongjian Tat Hong	202021214058.3	Utility Model	28 June 2020
8.	PRC	Double-brake lifting speed regulating control system for tower crane* (塔式起重機雙制動起升調速控制系統)	Zhongjian Tat Hong	202021719986.5	Utility Model	18 August 2020
9.	PRC	Anti-typhoon coupling device for moving-type tower crane chassis* (一種行走式塔機底架防颱風聯接裝置)	Huaxing Tat Hong	201610314825.X	Invention	13 May 2016
10.	PRC	Multifunctional cross-beam chassis foundation for nuclear power station reactor core* (一種核電站堆芯多功能井字樑底架基礎)	Huaxing Tat Hong	201610271546.X	Invention	28 April 2016

No.	Place of registration	Title of patent	Applicant	Application number	Patent type	Date of application
11.	PRC	Water-based paint for tower crane and its preparation method* (一種塔機用水性漆及其製備方法)	Huaxing Tat Hong	201910159256.X	Invention	4 March 2019
12.	PRC	Wear-resistant anti-rust paint for tower crane and its preparation method* (一種吊機用耐磨防銹漆及其製備方法)	Huaxing Tat Hong	201910165653.8	Invention	6 March 2019
13.	PRC	Portable mounting and dismounting device for multifunctional cab interior of tower crane* (一種塔式起重機多功能駕駛室內部機構便攜安裝裝置)	Huaxing Tat Hong	201921186908.0	Utility Model	26 July 2019

(c) Copyrights

- (i) As at the Latest Practicable Date, our Group had obtained the following copyrights which, in the opinion of our Directors, are material to our business:

No.	Place of registration	Title	Date of registration	Registration Number	Registered owner	Type of copyright
1.	PRC	Treat employees the way you treat customers, and where the employees are not satisfied, neither are the customers* (用對待客戶的方式對待員工，沒有滿意的員工就沒有滿意的客戶)	10 November 2016	2016-A-00335167	Huaxing Tat Hong	Literary works

No.	Place of registration	Title	Date of registration	Registration Number	Registered owner	Type of copyright
2.	PRC	Corporate Vision of China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd* (中核華興達豐機械工程有限公司企業願景)	10 November 2016	2016-A-00335168	Huaxing Tat Hong	Literary works
3.	PRC	Employees' Behaviors and Values of China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd* (中核華興達豐機械工程有限公司員工行為價值觀)	10 November 2016	2016-A-00335169	Huaxing Tat Hong	Literary works
4.	PRC	Enterprise Ethics of China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd* (中核華興達豐機械工程有限公司企業倫理)	10 November 2016	2016-A-00335170	Huaxing Tat Hong	Literary works
5.	PRC	Enterprise Mission of China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd* (中核華興達豐機械工程有限公司企業使命)	10 November 2016	2016-A-00335171	Huaxing Tat Hong	Literary works
6.	PRC	Great Virtue and Cause, Fine and Far-reaching* (厚德立業 精細致遠)	10 November 2016	2016-F-00335217	Huaxing Tat Hong	Artistic works
7.	PRC	Brand Rental with Brand Tower Crane* (用品牌塔吊做品牌租賃)	10 November 2016	2016-F-00335218	Huaxing Tat Hong	Artistic works
8.	PRC	Logo of China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd* (中核華興達豐機械工程有限公司 logo)	10 November 2016	2016-F-00335219	Huaxing Tat Hong	Artistic works

No.	Place of registration	Title	Date of registration	Registration Number	Registered owner	Type of copyright
9.	PRC	Logo of the abbreviation of China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd* (中核華興達豐機械工程有限公司簡稱logo)	10 November 2016	2016-F-00335220	Huaxing Tat Hong	Artistic works
10.	PRC	Ten Character Primer of Huaxing Tat Hong* (華興達豐十字經)	2 July 2019	2019-A-00797110	Huaxing Tat Hong	Literary works
11.	PRC	Ten Character Primer of Huaxing Tat Hong* (華興達豐十字經)	2 July 2019	2019-F-00797108	Huaxing Tat Hong	Artistic works
12.	PRC	Song of Huaxing Tat Hong* (華興達豐之歌)	25 June 2018	2018-B-00568516	Huaxing Tat Hong	Musical works
13.	PRC	Song of Huaxing Tat Hong* (華興達豐之歌)	25 June 2018	2018-A-00568525	Huaxing Tat Hong	Literary works

(d) Software copyrights

- (i) As at the Latest Practicable Date, our Group had obtained the following software copyrights which, in the opinion of our Directors, are material to our business:

No.	Place of registration	Software Copyright	Date of registration	Registration number	Registered owner
1.	PRC	Performance Appraisal Management System* V1.0 (績效考核管理系統V1.0)	8 November 2018	2018SR895521	Zhongjian Tat Hong
2.	PRC	Mechanical Equipment Management Information System* V1.0 (機械設備管理信息系統V1.0)	29 October 2018	2018SR861988	Zhongjian Tat Hong
3.	PRC	Equipment Rental Operation and Management System* V1.0 (設備租賃經營管理系統V1.0)	18 October 2018	2018SR829631	Zhongjian Tat Hong
4.	PRC	Payment application and information management system* V1.0 (支付申請與管控信息系統V1.0)	16 September 2019	2019SR0955553	Zhongjian Tat Hong
5.	PRC	Equipment rental production management system* V1.0 (設備租賃生產管理系統V1.0)	16 September 2019	2019SR0955549	Zhongjian Tat Hong

No. registration	Place of Software Copyright	Date of registration	Registration number	Registered owner
6.	PRC Mechanical Equipment Construction Plan Management Information System V1.0* (機械設備施工方案執行資訊系統V1.0)	25 August 2020	2020SR0979999	Zhongjian Tat Hong
7.	PRC On-site installation and dismantling of mechanical equipment implementation information system V1.0* (機械設備現場安拆執行資訊系統V1.0)	25 August 2020	2020SR0979443	Zhongjian Tat Hong
8.	PRC Autocrane Leg Reaction Calculation Management Software* V1.0 (汽車式起重機支腿反力計算管理軟件V1.0)	17 October 2017	2017SR570895	Huaxing Tat Hong
9.	PRC Tower crane internal climbing supporting steel bar calculation system V1.0* (塔式起重機內爬支承鋼樑計算系統V1.0)	14 July 2020	2020SR0766321	Huaxing Tat Hong
10.	PRC Calculation system for one-side four-bar statically indeterminate structure attachment device V1.0* (單側四桿式超靜定結構附著裝置計算系統V1.0)	16 October 2020	2020SR1224239	Huaxing Tat Hong
11.	PRC iSmartCon* V1.0 (愛建通V1.0)	9 March 2018	2018SR157453	Tat Hong Zhaomao
12.	PRC Tat Hong LEAP Asset Service Management Platform* V2.0 (達豐LEAP資產服務管理平台V2.0)	20 May 2013	2013SR047427	Tat Hong Zhaomao
13.	PRC Tat Hong Administrative Management System* [Abbreviation: TOP] V2.0 (達豐行政管理系統[簡稱:TOP]V2.0)	30 July 2015	2015SR146764	Tat Hong Zhaomao
14.	PRC Cost Control System* [Abbreviation: Cost Control] V2.0 (費用控制系統[簡稱:費控]V2.0)	5 June 2019	2019SR0574594	Tat Hong Zhaomao
15.	PRC Tat Hong Administrative Management Platform* [Abbreviation: TOP] V2.0 (達豐行政管理平台[簡稱:TOP]V2.0)	5 June 2019	2019SR0576702	Tat Hong Zhaomao
16.	PRC Tat Hong APP Software* V1.0.0 (達豐APP軟件V1.0.0)	23 July 2019	2019SR0762869	Tat Hong Zhaomao

(e) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

No.	Domain name	Registrant	Date of registration	Expiry date
1.	zjdf.com.cn	Zhongjian Tat Hong	20 February 2013	20 February 2025
2.	rhtathong.com.cn	Ronghe Tat Hong	20 February 2019	20 February 2024
3.	hxtathong.com	Huaxing Tat Hong	12 September 2007	12 September 2027
4.	tathongchina.com	Tat Hong Zhaomao	21 September 2010	21 September 2027
5.	ijiantong.com	Tat Hong Zhaomao	15 March 2017	15 March 2029
6.	tathong.com.cn	Tat Hong Zhaomao	28 September 2014	28 September 2028
7.	zjtathong.com.cn	Tat Hong Zhaomao	19 August 2015	19 August 2025
8.	tadio365.com	Tat Hong Zhaomao	1 December 2010	1 December 2028
9.	cztathong.com.cn	Tat Hong Zhaomao	19 August 2015	19 August 2025
10.	hxtathong.com.cn	Tat Hong Zhaomao	19 August 2015	19 August 2025

Information contained in the above websites does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF**1. Directors***(a) Disclosure of interests of Directors*

So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will

be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be as follows:

(i) *Long position in the Shares*

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Ng (<i>Note 1, 2</i>)	Trustee	756,955,875 ordinary Shares	64.9%

(ii) *Long position in the ordinary shares of associated corporation*

Name of Directors	Name of associated corporation	Capacity	Approximate percentage of interest
Mr. Ng (<i>Note 1, 2</i>)	Chwee Cheng & Sons	Trustee Beneficial owner	39.5% 11.33%

Notes:

- 1 Tat Hong China will own approximately 61.4% of the issued capital of our Company and TH Straits 2015 will own approximately 3.5% of the issued capital of our Company. In turn, TH Straits 2015 is wholly owned by Tat Hong China and Tat Hong China is owned as to approximately 88.4% by Tat Hong International and 11.6% by Yongmao. For the shareholding structure of Tat Hong International, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee, as joint trustees of the Chwee Cheng Trust, owns approximately 39.5% of the shares of Chwee Cheng & Sons, which in turn owns 100% of the shares of TH60 Investments, which in turn owns approximately 70.8% of the shares of THSC Investments, which in turn owns 100% of the shares of Tat Hong Holdings, which in turn owns 100% of the shares of Tat Hong International.
- 2 Immediately following completion of the Global Offering but taking no account of exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Tat Hong China will be the beneficial owner holding approximately 64.9% shareholding interest in the Company and thus each of Tat Hong International, Tat Hong Holdings, THSC Investments, TH60 Investments, Chwee Cheng & Sons, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee will be deemed or taken to be interested in all the Shares which are to be beneficially owned by Tat Hong China for the purpose of the SFO.

(b) *Particulars of service contracts*

Each of Mr. Sean Yau and Mr. Henry Lin, our executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party. Commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by our Board and the Remuneration Committee.

In addition, each of our executive Directors may be entitled to, if so recommended by the Remuneration Committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director

shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. Commencing from the Listing Date, the basic annual salary of our executive Directors are as follows:

Name	Amount (RMB)
Mr. Sean Yau	2,000,000
Mr. Henry Lin	2,000,000

Each of Mr. Sun, Mr. Ng and Mr. Chen, being our non-executive Directors and each of Ms. Pan, Mr. Wan and Dr. Huang, being our independent non-executive Directors, has entered into a letter of appointment with our Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the annual remuneration payable to the non-executive Directors and independent non-executive Directors under each of the letters of appointment is as follows:

Name	Amount (RMB)
Mr. Sun	96,000
Mr. Ng	180,000
Mr. Chen	96,000
Ms. Pan	120,000
Mr. Wan	120,000
Dr. Huang	120,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and

- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

An aggregate sum of approximately RMB634,000, RMB446,000, RMB792,000 and RMB805,000 of Directors' remuneration was incurred by our Group for the three years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020, respectively.

An aggregate sum of approximately RMB3.4 million is expected to be paid to our Directors as annual Directors' remuneration by our Group for the year ending 31 March 2021 under the arrangements in force at the date of this prospectus excluding discretionary bonus.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering and taking no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group:

Long position in Shares, underlying Shares and debentures

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Global Offering	Approximate percentage of interests in our Company immediately after completion of the Global Offering
Tat Hong China (Note 1, 2)	Beneficial interest and interest in controlled corporations	756,955,875 Shares	64.9%
Tat Hong International (Note 1, 2)	Interest in controlled corporations	756,955,875 Shares	64.9%
Tat Hong Holdings (Note 1, 2)	Interest in controlled corporations	756,955,875 Shares	64.9%
THSC Investments (Note 1, 2)	Interest in controlled corporations	756,955,875 Shares	64.9%
TH60 Investments (Note 1, 2)	Interest in controlled corporations	756,955,875 Shares	64.9%

Name	Capacity/Nature of Interest	Number of Shares held immediately after completion of the Global Offering	Approximate percentage of interests in our Company immediately after completion of the Global Offering
Chwee Cheng & Sons (Note 1, 2)	Interest in controlled corporations	756,955,875 Shares	64.9%
Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee (Note 1, 2)	Trustee	756,955,875 Shares	64.9%

Notes:

- 1 Tat Hong China will own approximately 61.4% of the issued capital of our Company and TH Straits 2015 will own approximately 3.5% of the issued capital of our Company. In turn, TH Straits 2015 is wholly owned by Tat Hong China and Tat Hong China is owned as to approximately 88.4% by Tat Hong International and 11.6% by Yongmao. For the shareholding structure of Tat Hong International, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee, as joint trustees of the Chwee Cheng Trust, owns approximately 39.5% of the shares of Chwee Cheng & Sons, which in turn owns 100% of the shares of TH60 Investments, which in turn owns approximately 70.8% of the shares of THSC Investments, which in turn owns 100% of the shares of Tat Hong Holdings, which in turn owns 100% of the shares of Tat Hong International.
- 2 Immediately following completion of the Global Offering but taking no account of exercise of the Over-allotment Option or any Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, Tat Hong China will be the beneficial owner holding approximately 64.9% shareholding interest in the Company and thus each of Tat Hong International, Tat Hong Holdings, THSC Investments, TH60 Investments, Chwee Cheng & Sons, Mr. Ng, Ng Sun Ho, Ng Sun Giam Roger and Ng San Wee will be deemed or taken to be interested in all the Shares which are to be beneficially owned by Tat Hong China for the purpose of the SFO.

3. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 37 of the Accountant's Report set out in Appendix I to this prospectus.

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" of this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Global Offering or any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Global Offering will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who

is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;

- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in “E. Other information – 6. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) none of the experts named in “E. Other information – 6. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) Except for (i) Mr. Sun, who is our non-executive Director and together with his family members indirectly holds approximately 57.4% of Yongmao Group through Sun & Tian Investment Pte. Ltd.; (ii) Mr. Ng, who is our non-executive Director and chairman of our Board, and together with other members of Chwee Cheng Controlling Shareholder Group, indirectly holds approximately 24.0% of Yongmao Group through Tat Hong Holdings, and (iii) Mr. Sean Yau, who is our executive Director, holds approximately 0.13% of Yongmao Group, none of our Directors, their close associate or any shareholders of our Company (which to the knowledge of our Directors owns more than 5% of our Company’s issued capital) has any interest in our Group’s five largest suppliers or five largest customers.

D. SHARE OPTION SCHEME**1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by all Shareholders on 15 December 2020.

For the purpose of this section, unless the context otherwise requires:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, among others, any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisers, consultants of our Company or any of our subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant but which shall not exceed ten years from the date of grant of such option;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and

“Trading Day” means a day on which trading of Shares take place on the Stock Exchange.

(a) Purpose of the Share Option Scheme

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) Who may join

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than five Trading Days from the date on which the Option is granted.

(c) Grant an Option

Any grant of Options must not be made after inside information has come to the knowledge of our Company or a price sensitive matter has been the subject of a decision, until such price sensitive matter has been announced pursuant to the relevant requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which the Directors are prohibited from dealing in shares pursuant to the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the “**Further Grant**”) notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the

relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) Price of Shares

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 1,166,871,250 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 116,687,125 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information required by the Listing Rules.

- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the Listing Rules.
- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.
- (v) The exercise of any Option shall be subject to the Shareholders in general meeting approving any increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient but unissued share capital of the Company for purpose of allotment of shares upon exercise of Options.

(f) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

(g) Rights are personal to grantee

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option.

(h) Rights on death

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(i) Changes in capital structure

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(j) Rights on take-over

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(k) Rights on a compromise or arrangement

- (i) In the event of a notice is given by our Company to our Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not

later than two business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.

- (ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two Trading Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(l) Lapse of Option

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A

resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this subparagraph shall be conclusive;

- (vi) the happening of any of the following events, unless otherwise waived by our Board:
- (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
 - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or
 - (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
 - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
 - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
 - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (viii) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

(m) Ranking of Shares

Shares allotted and issued upon the exercise of an Option will be subject to our Articles of Association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Grantee has been entered into the register of members of the Company as the holder thereof.

(n) Cancellation of Options granted

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(o) Period of Share Option Scheme

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(p) Alteration to and termination of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by our Shareholders under our Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(q) Granting of Options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates

Where Options are proposed to be granted to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of our Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
- (iii) all other information as required by the Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(r) Conditions of Share Option Scheme

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Share which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(s) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group – 1. Summary of material contracts – (a) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for itself and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Global Offering becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:
 - (i) full provision has been made for such taxation in the audited accounts of our Group for the three years ended 31 March 2020 and the three months ended 30 June 2020 (the “**Accounts**”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 1 July 2020 which arises in the ordinary course of business of our Group as described in the section headed “Business” in this prospectus;

- (ii) falling on any member of our Group on or after 1 July 2020, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before 1 July 2020;
 - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
 - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any of the subsidiary of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged noncompliance by any subsidiary of our Group with any applicable laws, rules and regulations in Hong Kong or any jurisdictions in the course of its business occurred on or before the Listing Date and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any the subsidiary of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted or threatened against any the subsidiary of our Group and/or any act, non-performance, omission or otherwise of any the subsidiary of our Group accrued or arising on or before the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, Hong Kong, PRC or Singapore, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Our Directors confirm that neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group's results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme.

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$57,000 and are payable by our Company.

5. Promoter

Our Company has no promoter.

6. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
Fortune Financial Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan	Industry consultant
Yuan Tai Law Offices	Legal advisers to our Company as to PRC law

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)

7. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

8. Sponsor's fees

The Sole Sponsor will be paid by our Company a total fee of HK\$6.0 million to act as sponsor to our Company in connection with the Listing.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder and the number of Sale Shares to be sold are set out below:

Name of Selling Shareholder:	Tat Hong Equipment (China) Pte. Ltd.
Place of incorporation:	Singapore
Date of incorporation:	10 May 2007
Registered address:	82 Ubi Avenue 4, #05-01, Edward Boustead Centre, Singapore 408832
Number of Sale Shares to be sold:	81,000,000

11. Miscellaneous

- (a) Save as disclosed in this Appendix and the sections headed “History, Reorganisation and Corporate Structure” and “Underwriting” of this prospectus, within the two years preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in “Summary – Recent development”, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2020 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 31 March 2020 which would materially affect the information as shown in the Accountant’s Report.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of Fortune Financial Capital Limited, Conyers Dill & Pearman, PricewaterhouseCoopers, Frost & Sullivan and Yuan Tai Law Offices:
 - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system and no part of the shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of its shares or loan capital on any other stock exchange.

- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.
- (k) There are no procedures for the exercise of any right of pre-emption or the transfer of subscription rights.
- (l) As at the date of this prospectus, there is no restriction affecting the remittance of profits or reparation of capital of our Company into Hong Kong from outside Hong Kong.

12. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix IV to this prospectus, copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus, and the statement of particulars of the Selling Shareholder.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201-2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the accountant’s report from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
3. the auditor’s report on the financial statements of our Group for the years ended 31 March 2018, 2019 and 2020 and the three months ended 30 June 2020;
4. the independent reporting accountant’s assurance report from PricewaterhouseCoopers on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
5. the letter of advice prepared by Conyers Dill & Pearman, the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
6. the Companies Act;
7. the industry report prepared by Frost & Sullivan;
8. the legal opinion prepared by Yuan Tai Law Offices, the legal advisers to our Company as to PRC law, in respect of certain aspects of our Group;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE FOR INSPECTION**

9. copies of the material contracts referred to in the paragraph headed “Statutory and General Information – B. Further information about the business of our Group – 1. Summary of material contracts” in Appendix IV to this prospectus;
10. the service agreements and letters of appointment referred to in the paragraph headed “Statutory and General Information – C. Further information about Directors, management and staff – 1. Directors” in Appendix IV to this prospectus;
11. the written consents referred to the paragraph headed “Statutory and General Information – E. Other information – 7. Consents of experts” in Appendix IV to this prospectus;
12. the Share Option Scheme; and
13. the statement of particulars of the Selling Shareholder.

TAT HONG EQUIPMENT SERVICE CO., LTD.

達豐設備服務有限公司*