

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

Tat Hong Equipment Service Co., Ltd.

達豐設備服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2153)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021**

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB415.6 million for the six months ended 30 September 2021, representing an increase of approximately RMB5.1 million or approximately 1.2% as compared with that for the six months ended 30 September 2020.

Profit attributable to equity shareholders of the Company for the six months ended 30 September 2021 amounted to approximately RMB38.5 million, representing a decrease of approximately RMB23.4 million or approximately 37.8% as compared with that for the same period in 2020.

Basic and diluted earnings per share for the six months ended 30 September 2021 amounted to RMB3.0 cents, representing a decrease of RMB4.0 cents when compared with the basic earnings per share of RMB7.0 cents for corresponding period in 2020.

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2021.

The Board proposed a special dividend of HKD0.03 per share.

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tat Hong Equipment Service Co., Ltd. (the “**Company**”, together with its subsidiaries, collectively, the “**Group**”) is pleased to announce the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 September 2021, together with comparative figures for the six months ended 30 September 2020 as set out below.

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

For the six months ended 30 September 2021

	Note	Six months ended 30 September	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	415,599	410,539
Cost of sales		(296,148)	(262,985)
Gross profit		119,451	147,554
Selling and distribution expenses		(8,500)	(8,720)
General and administrative expenses		(46,653)	(39,656)
Research and development expenses		(12,847)	(12,288)
Reversal of/(provision for) financial assets and contract assets		20	(422)
Other income		10,696	3,884
Other gains, net		987	2,061
Operating profit		63,154	92,413
Finance costs		(12,393)	(9,671)
Finance income		433	151
Profit before income tax		51,194	82,893
Income tax expense	6	(12,706)	(21,017)
Profit for the period		<u>38,488</u>	<u>61,876</u>
Profit for the period attributable to:			
Owners of the Company		<u>38,488</u>	<u>61,876</u>
Other comprehensive income, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		238	80
Other comprehensive income for the period, net of tax		238	80
Total comprehensive income for the period, net of tax		<u>38,726</u>	<u>61,956</u>
Basic and diluted earnings per share (expressed in RMB per share)	8	<u>0.03</u>	<u>0.07</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	<i>Note</i>	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,508,577	1,136,550
Right-of-use assets		73,503	94,401
Intangible assets		27,817	30,034
Contract assets	4	36,567	32,916
Other non-current assets		23,561	46,818
		<u>1,670,025</u>	<u>1,340,719</u>
Total non-current assets			
Current assets			
Inventories		32,727	21,022
Contract assets	4	248,812	234,269
Trade receivables	9	587,921	454,428
Prepayments and other receivables		106,273	66,913
Financial assets at fair value through other comprehensive income		16,256	14,058
Financial assets at fair value through profit or loss		—	200,816
Cash and cash equivalents		209,632	149,515
		<u>1,201,621</u>	<u>1,141,021</u>
Total current assets			
		<u>2,871,646</u>	<u>2,481,740</u>
Total assets			

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

As at 30 September 2021

	<i>Note</i>	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings	<i>10</i>	447,358	356,696
Lease liabilities		22,311	34,177
Deferred income tax liabilities		86,010	84,037
Provisions		23,312	23,770
		<hr/>	<hr/>
Total non-current liabilities		<u>578,991</u>	<u>498,680</u>
Current liabilities			
Trade and bills payables	<i>11</i>	482,525	169,623
Contract liabilities	<i>4</i>	2,394	8,325
Other payables and accruals		73,271	66,292
Borrowings	<i>10</i>	124,279	125,932
Lease liabilities		20,936	33,013
Provisions		28,676	28,946
		<hr/>	<hr/>
Total current liabilities		<u>732,081</u>	<u>432,131</u>
		<hr/>	<hr/>
Total liabilities		<u>1,311,072</u>	<u>930,811</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	<i>12</i>	593,026	593,026
Reserves	<i>13</i>	539,928	539,690
Retained earnings		427,620	418,213
		<hr/>	<hr/>
Total equity		<u>1,560,574</u>	<u>1,550,929</u>
		<hr/>	<hr/>
Total equity and liabilities		<u>2,871,646</u>	<u>2,481,740</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 April 2020	441,458	—	243,605	32,690	12	331,862	1,049,627
Profit for the period	—	—	—	—	—	61,876	61,876
Other comprehensive income:							
— Currency translation difference	—	—	—	—	80	—	80
Total comprehensive income	—	—	—	—	80	61,876	61,956
Dividends (Note 7)	—	—	—	—	—	(7,646)	(7,646)
At 30 September 2020	<u>441,458</u>	<u>—</u>	<u>243,605</u>	<u>32,690</u>	<u>92</u>	<u>386,092</u>	<u>1,103,937</u>
At 1 April 2021	593,026	256,377	243,605	39,928	(220)	418,213	1,550,929
Profit for the period	—	—	—	—	—	38,488	38,488
Other comprehensive income:							
— Currency translation difference	—	—	—	—	238	—	238
Total comprehensive income	—	—	—	—	238	38,488	38,726
Dividends (Note 7)	—	—	—	—	—	(29,081)	(29,081)
At 30 September 2021	<u>593,026</u>	<u>256,377</u>	<u>243,605</u>	<u>39,928</u>	<u>18</u>	<u>427,620</u>	<u>1,560,574</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION OF THE GROUP

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 Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, 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.

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

These unaudited condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These unaudited condensed consolidated financial statements have been approved for issue by the Board of Directors on 26 November 2021.

2 BASIS OF PREPARATION

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

3 SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2021, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

(a) New and amended standard adopted by the Group

No new or amended standard has been adopted by the Group for the six months ended 30 September 2021.

(b) Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 March 2021 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
Annual Improvements to HKFRS Standards 2018– 2020		1 January 2022

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

		Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations (AG 5)		1 January 2022
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (2020))	Applied when an entity applies “Classification of Liabilities as Current or Non-current — Amendments to HKAS 1”

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

4 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:

	Six months ended	
	30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A	<u>82,295</u>	<u>65,916</u>

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

	As at	As at
	30 September	31 March
	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contract assets		
Non-current	36,672	33,003
Loss allowance	(105)	(87)
	<u>36,567</u>	<u>32,916</u>
Current	249,537	235,073
Loss allowance	(725)	(804)
	<u>248,812</u>	<u>234,269</u>
Total contract assets	<u>285,379</u>	<u>267,185</u>

4. SEGMENT INFORMATION (CONTINUED)

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Contract liabilities	<u>2,394</u>	<u>8,325</u>

(i) Revenue recognised in relation to contract liabilities

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

	Six months ended 30 September 2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period	<u>5,723</u>	<u>5,728</u>

(ii) Unsatisfied performance obligations

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

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
One-stop tower crane solution services	712,212	749,241
Dry lease	<u>3,620</u>	<u>2,244</u>
	<u>715,832</u>	<u>751,485</u>

The Company expects that unsatisfied one-stop tower crane solution services and dry lease of approximately RMB550,575,000 as of 30 September 2021 will be recognised as revenue within 1 year. The remaining unsatisfied performance obligations of approximately RMB165,257,000 will be recognised as revenue after 1 year but less than 5 years.

5 REVENUE

An analysis of revenue is as follows:

	Six months ended	
	30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
— Over the time		
One-stop tower crane solution services:		
— Operating Lease	192,806	216,230
— Hoisting Service	220,460	191,083
Dry lease	2,333	3,226
	415,599	410,539

6 INCOME TAX EXPENSE

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

	Six months ended	
	30 September	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax on profits for the period	10,733	5,623
Deferred income tax	1,973	15,394
Income tax expense	12,706	21,017

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.

6. INCOME TAX EXPENSE (CONTINUED)

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 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.

The estimated average annual tax rate used for the six months ended 30 September 2021 is 24.8% (for the six months ended 30 September 2020: 25.4%).

7. DIVIDENDS

Pursuant to the resolution of the shareholders' meeting held on 24 September 2020, dividends of RMB7,646,000 were approved by the Company to its shareholders. All dividend has been paid in cash on 14 December 2020 and 15 December 2020.

Pursuant to the resolution of the shareholders' meeting held on 29 September 2021, dividends of HKD35,006,000 (equivalent to RMB29,081,000) were approved by the Company to its shareholders. All dividend has been paid in cash on 5 November 2021.

	Six months ended	
	30 September	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividend payable at the beginning of the period	—	—
Declaration of dividends	29,081	7,646
Dividends paid	—	—
	<hr/>	<hr/>
Dividend payable at the end of the period	<u>29,081</u>	<u>7,646</u>

On 26 November 2021, the board of directors recommended a special dividend of HKD0.03 per share, amounting to a total dividend of approximately HKD35,006,000. These unaudited condensed consolidated financial statements do not reflect this dividend payable.

8 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 financial 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 financial period is the same as the basic earnings per share as there is no dilutive potential share during the financial period.

	Six months ended	
	30 September	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit attributable to the ordinary equity holders of the Company	38,488	61,876
Weighted average number of ordinary shares in issue ('000)	1,166,871	875,151
Basic and diluted earnings per share (RMB)	0.03	0.07

9 TRADE RECEIVABLES

	As at	As at
	30 September	31 March
	2021	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Accounts receivable	593,652	460,123
Less: provision for impairment	(5,731)	(5,695)
	587,921	454,428

9 TRADE RECEIVABLES (CONTINUED)

The majority of the Group's receivables are with credit term from 30 days to 90 days. At 30 September 2021 and 31 March 2021, the aging analysis of the trade receivables, based on due date, was as follows:

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Accounts receivable		
Within credit term	108,260	96,531
Less than 180 days past due	245,744	203,899
181 days to 365 days past due	112,032	75,201
1 to 2 years past due	92,087	58,850
More than 2 years past due	35,529	25,642
	<u>593,652</u>	<u>460,123</u>

For the trade receivables, the Group has assessed the expected credit losses by considering historical default rates, existing market conditions and forward-looking information. Based on the assessment, the creation and reversal for impaired receivables have been included in the net impairment losses on financial assets. Amounts charged to allowance account are written off when there is no expectation of receiving the receivables.

As at 30 September 2021, the Group pledged accounts receivables with carrying amount of approximately RMB30,000,000 for the bank borrowings of the Group (Note 10).

As at 31 March 2021, the Group pledged accounts receivables with carrying amount of approximately RMB20,000,000 for the bank borrowings of the Group (Note 10).

The Group's trade receivables were denominated in RMB.

10 BORROWINGS

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Non-current		
Bank borrowings — Secured	<u>447,358</u>	<u>356,696</u>
Current		
Bank borrowings — Secured	124,279	124,932
Bank borrowings — Unsecured	<u>—</u>	<u>1,000</u>
Total borrowings	<u><u>571,637</u></u>	<u><u>482,628</u></u>

As at 30 September 2021 and 31 March 2021, the Group's borrowings were repayable as follows:

	As at 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Within 1 year	124,279	125,932
Between 1 and 2 years	75,242	78,932
Between 2 and 5 years	<u>372,116</u>	<u>277,764</u>
	<u><u>571,637</u></u>	<u><u>482,628</u></u>

10 BORROWINGS (CONTINUED)

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

	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
USD	273,353	—
SGD	34,300	329,323
RMB	263,984	153,305
	<u>571,637</u>	<u>482,628</u>

The weighted average effective interest rates per annum for the six months ended 30 September 2021 and the year ended 31 March 2021 were as follows:

	Six months ended 30 September 2021 (Unaudited)	Year ended 31 March 2021 (Audited)
USD	2.9%	—
SGD	4.8%	3.5%
RMB	5.2%	6.1%

The fair values of the borrowings of the Group are approximate to their carrying amounts, since either the interest rates of those borrowings are close to current market rates or the borrowings are of a short-term nature.

Secured borrowings are pledged or guaranteed by the followings:

- (i) As at 30 September 2021, the syndicated bank borrowings of RMB236,986,000 were guaranteed by certain subsidiaries, including China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. (“**Huaxing Tat Hong**”), Jiangsu Zhongjian Tat Hong Machinery Construction Co., Ltd. (“**Zhongjian Tat Hong**”), Changzhou Tat Hong Zhaomao Machinery Construction Co., Ltd. (“**Changzhou Tat Hong**”), Jiangsu Hengxingmao Financial Leasing Co., Ltd. (“**Hengxingmao**”) and the company, and secured by the pledge of machinery with carrying value of RMB359,333,000.

10 BORROWINGS (CONTINUED)

The borrowings of RMB34,300,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB58,876,000.

The borrowings of RMB66,089,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong and Hengxingmao, and the Company, and secured by the pledge of machinery with carrying value of RMB97,676,000.

The borrowings of RMB165,262,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB200,536,000.

The borrowings of RMB5,000,000 were guaranteed by Tat Hong Zhaomao Investment Group Co., Ltd. (“**Tat Hong Zhaomao**”), and secured by the land-use rights with carrying value of RMB12,814,000 and the buildings with carrying value of RMB13,511,000.

The borrowings of RMB30,000,000 were guaranteed by the Company, and secured by the same amount of accounts receivable of third-party.

The borrowings of RMB25,000,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB9,000,000 were guaranteed by Tat Hong Zhaomao and one of the senior management. Tat Hong Zhaomao had entered into agreements with the senior management, pursuant to which Tat Hong Zhaomao agreed to compensate them for any loss incurred by them in relation to the guarantee provided.

- (ii) As at 31 March 2021, the syndicated bank borrowings of RMB288,229,000 were secured by the pledge of the equity shares of certain subsidiaries, including 100% of Tat Hong Zhaomao, 63% of Hengxingmao, 42% of Zhongjian Tat Hong and 41% of Huaxing Tat Hong.

The borrowings of RMB41,094,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB60,229,000.

The borrowings of RMB32,500,000 were guaranteed by certain subsidiaries, including Huaxing Tat Hong, Zhongjian Tat Hong, Changzhou Tat Hong and Tat Hong Zhaomao, and the Company, and secured by the pledge of machinery with carrying value of RMB820,710,000 and equity shares of certain subsidiaries, including 100% of Changzhou Tat Hong, 59% of Huaxing Tat Hong, 37% of Hengxingmao and 58% of Zhongjian Tat Hong.

10 BORROWINGS (CONTINUED)

The borrowings of RMB19,443,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB25,385,000.

The borrowings of RMB49,362,000 were guaranteed by the Company, and secured by the pledge of machinery with carrying value of RMB56,007,000.

The borrowings of RMB20,000,000 were guaranteed by the Company, and secured by the same amount of accounts receivable of third-party.

The borrowings of RMB25,000,000 were guaranteed by Tat Hong Zhaomao.

The borrowings of RMB6,000,000 were guaranteed by Tat Hong Zhaomao and one of the senior management. Tat Hong Zhaomao had entered into agreements with the senior management, pursuant to which Tat Hong Zhaomao agreed to compensate them for any loss incurred by them in relation to the guarantee provided.

11 TRADE AND BILLS PAYABLES

	As at 30 September 2021 RMB'000 (Unaudited)	As at 31 March 2021 RMB'000 (Audited)
Accounts payable	441,260	132,815
Bills payable	41,265	36,808
	<u>482,525</u>	<u>169,623</u>

11 TRADE AND BILLS PAYABLES (CONTINUED)

As at 30 September 2021 and 31 March 2021, 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 30 September 2021 <i>RMB'000</i> (Unaudited)	As at 31 March 2021 <i>RMB'000</i> (Audited)
Within 3 months	299,800	102,959
Between 3 months and 1 year	126,684	21,170
Between 1 year and 2 years	11,712	6,041
Between 2 years and 3 years	870	966
Between 3 years and 5 years	1,446	1,407
Over 5 years	748	272
	<u>441,260</u>	<u>132,815</u>

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

12 SHARE CAPITAL

Share capital as at 30 September 2021 and 31 March 2021, represented the share capital of the Group.

	Number of Shares Authorised '000	Number of Shares Issued '000	Share Capital <i>USD'000</i>	Share Capital <i>RMB'000</i>
As at 30 September 2021 and 31 March 2021 (ordinary shares of USD0.08 each)	<u>1,875,000</u>	<u>1,166,871</u>	<u>93,350</u>	<u>593,026</u>

On 13 January 2021, the Company issued 291,720,000 new ordinary shares at USD0.08 each with HKD1.73 per share and raised gross proceeds of approximately HKD504,675,600 (equivalent to RMB422,817,000). The excess over the par value of USD23,337,600 (equivalent to RMB151,568,000) net of the transaction costs of approximately RMB14,872,000 was credited to share premium with an amount of RMB256,377,000.

13 RESERVES

Reserves of the Group during the six months ended 30 September 2021 and the year ended 31 March 2021 comprised of share premium, capital reserve, statutory reserve and translation reserve.

Capital reserve comprised of merger reserve arising from the combination of Tat Hong Equipment (China) Pte. Ltd. (“**THEC**”)’s subsidiaries in 2015.

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. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are the first foreign-owned tower crane service provider established in the PRC, and one of the leading crane rental companies in the Asia-Pacific region.

The Group provides 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 principally engage in engineering, procurement and construction projects (“**EPC projects**”) in infrastructure, energy, commercial and residential sectors conducted by our customers mainly in the PRC.

During the six months ended 30 September 2021, the Group expanded its business by purchasing additional tower cranes and relevant ancillary parts and components to meet the increasing customers’ demand. As at 30 September 2021, we managed a total of 1,257 tower cranes, which have been equipped to cater for our customers’ specialised range of EPC projects throughout the PRC.

We are well-recognised in the construction industry and has upheld an enviable 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) 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 currently possess 56 registered patents for utility models and inventions relating to tower cranes.

The Group is currently operating eight tower crane yards at the leased properties in Hefei, Wuxi, Taicang, Chongqing and Dongguan in the PRC. It is mainly engaged in the stacking of equipment and the provision of repair and maintenance services. 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 in 2019 with limited liability and an indirect wholly-owned subsidiary of our Company, is the refurbishment center (智能再製造中心) of the Group, equipped with production line workshops for electrical, mechanical and hydraulic maintenance, structural machining, painting workshops and other ancillary functions, and has refurbished more than 200 tower cranes. The Group has continuously enhanced its manufacturing and processing capabilities for tower cranes and their ancillary structural components, and aims to establish a standardized after-market service eco-system for tower cranes. In addition to enhancing the manufacturing capability, the Group also places emphasis on the installation and implementation of pollution prevention equipment and dust removal system in the workshops, so as to provide a sustainable foundation for building a green, energy-saving, safe and environmental-friendly tower crane service industry value chain.

In the area of digitization, the Group is committed to improve the operational and management efficiency through developing the digital management platform “iSmartCon”. The Group continues to upgrade and improve the safety inspection, repair and maintenance, and asset management modules of the “iSmartCon”. This will improve the operational efficiency of frontline staff, as well as strengthen the contract compliance. We conduct routine inspections to verify the data, and enhance the integrity and accuracy of the data. We aim to further increase the level of interaction amongst the Group’s various information systems so as to improve the responsiveness and relevance of decision making for both operation and management.

Operating Results

The Group recorded a net profit of approximately RMB38.5 million for the six months ended 30 September 2021 representing a decrease of approximately 37.8% as compared with the net profit of approximately RMB61.9 million for the six months ended 30 September 2020.

Future Development

Under the gradual alleviation of the impact of the COVID-19 pandemic and the recovery of the domestic economy in the PRC, the Group is confident to achieve satisfactory results in the coming months, due to our leading position and long history in the tower crane service industry and our strong relationship with Special-tier and Tier-1 EPC contractors in the PRC.

Looking forward, our Group will continue to provide comprehensive mix of safe, reliable and quality tower cranes and services to support and complement our customers’ core operation, so as to achieve steady growth in market size and customer base. Our Group is determined to enhance our capabilities particularly in our refurbishment center (智能再製造中心) and in clean energy sector. We will continue to strive to be a leading tower crane service provider in the PRC, and generate more fruitful returns for our shareholders.

FINANCIAL REVIEW

Revenue

The Group's revenue amounted to approximately RMB415.6 million for the six months ended 30 September 2021, representing an approximately 1.2% increase from that for the six months ended 30 September 2020, primarily due to the increase in our total tonne metres of tower cranes in use from 1,237,026 for the six months ended 30 September 2020 to 1,479,145 for the six months ended 30 September 2021.

Cost of Sales

Our cost of sales increased by approximately 12.6% from approximately RMB263.0 million for the six months ended 30 September 2020 to approximately RMB296.1 million for the six months ended 30 September 2021. Such increase was primarily attributable to the increase in our labour subcontracting costs from approximately RMB108.2 million for the six months ended 30 September 2020 to RMB133.3 million for the six months ended 30 September 2021, primarily due to the increase in the average number of outsource labour from 2,759 for the six months ended 30 September 2020 to 3,295 for the six months ended 30 September 2021.

Gross Profit and Gross Profit Margin

Our overall gross profit decreased by approximately 19.0% from approximately RMB147.6 million for the six months ended 30 September 2020 to approximately RMB119.5 million for the six months ended 30 September 2021. Our overall gross profit margin decreased from approximately 36.0% for the six months ended 30 September 2020 to approximately 28.8% for the corresponding period in 2021. Such decrease in gross profit and gross profit margin was mainly due to an increase in the cost of labour subcontracting, salaries and benefits of our own project operational staff.

Other income

Our other income mainly comprised of value-add tax refund and government grants. The other income for the six months ended 30 September 2021 was approximately RMB10.7 million, representing an increase of approximately RMB6.8 million or approximately 174.4% as compared to that of approximately RMB3.9 million for the six months ended 30 September 2020. The increase was mainly due to the receipt of government grants amounting to RMB5.8 million and a subsidy of RMB1.0 million for listing on the Hong Kong Stock Exchange from Minhang District Economic Commission.

Research and development expenses

Our research and development expenses increased slightly from approximately RMB12.3 million for the six months ended 30 September 2020 to approximately RMB12.8 million for the six months ended 30 September 2021.

Selling and distribution expenses

Our selling and distribution expenses slightly decreased by approximately 2.3% from approximately RMB8.7 million for the six months ended 30 September 2020 to approximately RMB8.5 million for the six months ended 30 September 2021.

General and administrative expenses

Our general and administrative expenses mainly comprised of professional expenses, salaries costs and depreciation expenses. The general and administrative expenses for the six months ended 30 September 2021 amounted to approximately RMB46.7 million, representing an increase of approximately RMB7.0 million or approximately 17.6% as compared to that of approximately RMB39.7 million for the corresponding period in 2020. The increase was mainly due to the increase in average staff salaries by approximately 10%, and the absence of one-off waiver in Social Security payments as part of COVID-19 pandemic measures during the six months ended 30 September 2021.

Finance costs

Our finance costs for the six months ended 30 September 2021 was approximately RMB12.4 million, representing an increase of approximately RMB2.7 million or approximately 27.8% as compared to that of approximately RMB9.7 million for the same period in 2020. The increase was primarily due to the recognition of RMB3.7 million net exchange losses which arose from foreign currency borrowings for the period ended 30 September 2021 as compared to RMB1.1 million net exchange gains which incurred from foreign currency borrowings for the six months ended 30 September 2020.

Income tax expenses

Our income tax expenses for the six months ended 30 September 2021 decreased by approximately 39.5% from approximately RMB21.0 million for the six months ended 30 September 2020 to approximately RMB12.7 million for the six months ended 30 September 2021. Such decrease was due to decrease in operating profits.

Profit for the period

For the six months ended 30 September 2021, the Group recorded profit for the period of approximately RMB38.5 million, representing a decrease of approximately RMB23.4 million or approximately 37.8% from approximately RMB61.9 million for the same period of prior year. The decrease was primarily due to the combined effects of the above-mentioned.

Working capital structure

The Group's net current assets amounted to approximately RMB469.5 million as at 30 September 2021, representing a decrease of approximately RMB239.4 million from that as at 31 March 2021, which was mainly due to the increase in trade payables during the period.

Liquidity and financial management

Substantial amount of capital is required to fund our purchase of tower cranes, working capital requirements and general business expansion. Our operation and growth have primarily been financed by cash generated from our operations.

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad-hoc events. As at 30 September 2021, the cash and cash equivalents plus financial assets at fair value through profit or loss were approximately RMB209.6 million, representing a decrease of approximately RMB140.7 million when compared with those as at 31 March 2021. The Group's total borrowings amounted to approximately RMB571.6 million as at 30 September 2021, representing an increase of approximately RMB89.0 million or approximately 18.4% from approximately RMB482.6 million as at 31 March 2021.

The Group's current ratio was 1.64 times as at 30 September 2021, as compared to that of 2.64 times as at 31 March 2021. The decrease in current ratio was mainly attributable to the increase in trade payables during the period.

The gearing ratio of the Group, which represents the total sum of borrowings, loans from a related party and lease liabilities, divided by total equity, was 39.4% as at 30 September 2021, as compared to that of 35.5% as at 31 March 2021.

Pledge of assets

As at 30 September 2021, the Group has pledged machineries with carrying amount of approximately RMB732.5 million for the lease liabilities and bank borrowings of the Group to secure banking facilities granted to the Group.

Lease Liabilities

The lease liabilities decreased by approximately 35.7% from approximately RMB67.2 million as at 31 March 2021 to approximately RMB43.2 million as at 30 September 2021. This was mainly due to the decrease of right-of-use assets. The decrease in the right-of-use assets was mainly attributable to the decrease of rental equipment from outside of the Group.

CAPITAL COMMITMENT

As at 30 September 2021, the contracted but not delivered property, plant and equipment was approximately RMB65.4 million, representing an increase of approximately RMB65.0 million from that as at 31 March 2021.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates in the PRC with RMB as the functional currency. The Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the six months ended 30 September 2021.

USE OF PROCEEDS FROM THE LISTING

On 13 January 2021, the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Shares were issued to the public at HKD1.73 per Share, and the Group received net proceeds (the “**Net Proceeds**”) of approximately HKD485.5 million from the global offering of its Shares (the “**Global Offering**”) after deducting of the underwriting fees and commissions and other expenses payable by the Group in connection with the Global Offering. As at 30 September 2021, the amount of Net Proceeds which remain unutilised amounted to approximately HKD178.0 million. Set out below are details of the planned allocation of the Net Proceeds, the utilised and unutilised amount of the Net Proceeds as at 30 September 2021:

Usage	% of Total Net Proceeds	Planned Allocation of the Net Proceeds <i>HKD'000</i>	Utilised Net Proceeds as at 30 September 2021 <i>HKD'000</i>	Unutilised Net Proceeds as at 30 September 2021 <i>HKD'000</i>	Expected Timeline of Full Utilisation of the Net Proceeds
Purchase tower cranes	63.0%	305,865	193,180	112,685	31 March 2023
Purchase equipment and to conduct foundation work for our Yangzhou Refurbishment Centre (as defined in the prospectus of the Company dated 30 December 2020 (the “ Prospectus ”))	5.3%	25,732	11,895	13,837	31 March 2023
Hire additional personnel equipped with special skills to improve our service capacity and competitiveness	3.2%	15,536	1,020	14,516	31 March 2023
Repay part of our bank borrowings	18.5%	89,817	89,817	—	—
Working capital and other general corporate purposes	10%	48,550	11,603	36,947	31 March 2023
	<u>100%</u>	<u>485,500</u>	<u>307,515</u>	<u>177,985</u>	

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2021.

SPECIAL DIVIDEND

The Board has recommended a special dividend of HKD0.03 per Share amounting to a total dividend of approximately HKD35,006,000 (the “**Special Dividend**”) to appreciate the support of the shareholders of the Company (the “**Shareholders**”) and to offer them with a better return. Looking forward, along with the massive government promotion of prefabricated buildings, strong shift to renewable energy to attain carbon neutral by 2060, and the regional development strategies in the PRC including Greater Bay Area, Yangtze River Economic Belt and Chengdu-Chongqing Dual Economic Ring, the tower crane service market is anticipated to grow further in the following years. Without prejudice to the healthy and sustained development of the Company, the Board recommended the distribution of the Special Dividend.

The Special Dividend will be payable on or around 27 January 2022 to the Shareholders whose names appear on the register of members of the Company on 10 January 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders who are entitled to receive the Special Dividend, the register of members of the Company will be closed from 7 January 2022 to 10 January 2022 (both days inclusive), during which period no transfer of Shares will be effected. In order to be eligible for receiving the Special Dividend, all transfer forms accompanied by relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 6 January 2022.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the six months ended 30 September 2021, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2021, the Group has employed a total of 1,180 employees who include the directors of the Company and its subsidiaries. The Group offers its employees competitive remuneration packages based on their performance, qualifications, competence displayed and market comparable to attract, retain and motivate high quality individuals. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. The Group also provides trainings to its staff. Remuneration packages are reviewed regularly to reflect the market practice and employees' performance. Employees of the Group in the PRC are entitled to participate in various government supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there is no significant subsequent event undertaken by the Group after 30 September 2021 up to the date of this announcement.

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

None of the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 September 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company has adopted all applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as its own code of corporate governance. The Board is of the view that the Company has complied with the all applicable code provisions under the CG Code during the six months ended 30 September 2021.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors by the Company, all Directors confirmed that they had complied with the Model Code during the six months ended 30 September 2021 and no incident of non-compliance by the Directors has been noted by the Company during the six months ended 30 September 2021.

REVIEW OF THE INTERIM RESULTS

The Company has set up an audit committee (the “**Audit Committee**”) for the purposes of reviewing and providing supervision over financial reporting process and internal audit function of the Group, reviewing the internal controls and risk management system of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen. Ms. Pan I-Shan is the Chairlady of Audit Committee.

The Audit Committee has reviewed and has no disagreement to the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 September 2021 and the accounting principles and practices adopted by the Group. The Audit Committee considers that the interim financial information of the Company has complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT

The interim results announcement of the Company has been published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.tathongchina.com). The interim report of the Company for the six months ended 30 September 2021 containing all the relevant information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the website of the Stock Exchange and that of the Company in accordance with the Listing Rules.

By order of the Board
TAT HONG EQUIPMENT SERVICE CO., LTD.
Ng San Tiong
Chairman and Non-executive Director

Hong Kong/the PRC, 26 November 2021

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