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Tat Hong Equipment Service Co., Ltd.

達豐設備服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2153)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2024

FINANCIAL HIGHLIGHTS

Revenue of the Group for the year ended 31 March 2024 amounted to RMB682.3 million, representing a decrease of RMB88.5 million or 11.5% from the year ended 31 March 2023.

Loss attributable to equity holders of the Company for the year ended 31 March 2024 amounted to RMB95.6 million, representing an increase of RMB59.8 million or 167.0% from the year ended 31 March 2023. This rise in losses was primarily driven by the sluggish economic growth and the weak recovery of construction sector following the COVID-19 pandemic, resulting in (i) a decrease in total TM in use from 3,192,710 for the year ended 31 March 2023 to 3,178,404 for the year ended 31 March 2024; and (ii) a reduction of our average monthly service price for tower cranes per tonne-meter (TM) in use, from RMB241 to RMB215. Despite these challenges, the Company remains committed to maintaining its operational efficiency and exploring new growth opportunities.

Basic loss per share for the year ended 31 March 2024 amounted to RMB8.0 cents, representing an increase of RMB5.0 cents when compared with the basic loss per share of RMB3.0 cents for the year ended 31 March 2023.

The Board has resolved not to recommend the payment of final dividend for the year ended 31 March 2024.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Tat Hong Equipment Service Co., Ltd. (the “**Company**”, together with its subsidiaries collectively, the “**Group**”), hereby announces the consolidated results of the Group for the year ended 31 March 2024, together with comparative figures for the year ended 31 March 2023 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

	Note	Year ended 31 March	
		2024	2023
		RMB'000	RMB'000
Revenue	4	682,292	770,752
Cost of sales	7	<u>(601,532)</u>	<u>(597,521)</u>
Gross profit		80,760	173,231
Selling and distribution expenses	7	(15,033)	(14,464)
General and administrative expenses	7	(81,966)	(90,976)
Research and development expenses	7	(19,390)	(29,688)
Provision for financial assets and contract assets		(3,327)	(4,413)
Other income	5	2,789	7,120
Other (losses)/gains, net	6	<u>(5,668)</u>	<u>2,854</u>
Operating (loss)/profit		(41,835)	43,664
Finance costs	8	(64,520)	(81,515)
Finance income	8	<u>948</u>	<u>718</u>
Loss before income tax		(105,407)	(37,133)
Income tax credit	9	<u>9,769</u>	<u>1,320</u>
Loss for the year		<u>(95,638)</u>	<u>(35,813)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(95,638)</u>	<u>(35,813)</u>
Other comprehensive (loss)/income, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		<u>(556)</u>	<u>10</u>
Other comprehensive (loss)/income for the year, net of tax		<u>(556)</u>	<u>10</u>
Total comprehensive loss for the year, net of tax		<u>(96,194)</u>	<u>(35,803)</u>
Basic and diluted loss per share	11	<u>(0.08)</u>	<u>(0.03)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2024

		As at 31 March	
		2024	2023
	Note	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,556,816	1,651,070
Right-of-use assets		101,193	101,209
Intangible assets		16,710	21,176
Contract assets	3	23,797	66,549
Other non-current assets		81,247	60,594
		<u>1,779,763</u>	<u>1,900,598</u>
Total non-current assets			
Current assets			
Inventories		44,464	39,584
Contract assets	3	236,058	254,235
Trade receivables	12	734,470	631,071
Prepayments and other receivables		128,324	146,658
Financial assets at fair value through other comprehensive income		15,574	21,925
Restricted cash		370	3,423
Cash and cash equivalents		138,938	155,551
		<u>1,298,198</u>	<u>1,252,447</u>
Total current assets			
		<u>3,077,961</u>	<u>3,153,045</u>
Total assets			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 MARCH 2024

		As at 31 March	
		2024	2023
	<i>Note</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	<i>15</i>	612,405	617,415
Lease liabilities		58,306	47,566
Deferred income tax liabilities		57,805	67,628
Provisions		24,906	33,906
		<hr/>	<hr/>
Total non-current liabilities		<u>753,422</u>	<u>766,515</u>
Current liabilities			
Trade and bills payables	<i>16</i>	327,771	387,268
Contract liabilities		2,531	896
Other payables and accruals		31,436	37,234
Borrowings	<i>15</i>	483,476	363,845
Lease liabilities		26,138	38,092
Provisions		31,762	41,576
		<hr/>	<hr/>
Total current liabilities		<u>903,114</u>	<u>868,911</u>
		<hr/>	<hr/>
Total liabilities		<u>1,656,536</u>	<u>1,635,426</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	<i>13</i>	593,026	593,026
Reserves	<i>14</i>	514,374	512,974
Retained earnings		314,025	411,619
		<hr/>	<hr/>
Total equity		<u>1,421,425</u>	<u>1,517,619</u>
		<hr/>	<hr/>
Total equity and liabilities		<u>3,077,961</u>	<u>3,153,045</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2024

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
	At 1 April 2022	593,026	198,353	243,605	49,814	29,073	
Loss for the year	-	-	-	-	-	(35,813)	(35,813)
Other comprehensive income:							
- Currency translation difference	-	-	-	-	10	-	10
Total comprehensive income	-	-	-	-	10	(35,813)	(35,803)
Dividends (Note 10)	-	(16,411)	-	-	-	-	(16,411)
Statutory reserve	-	-	-	8,530	-	(8,530)	-
At 31 March 2023	<u>593,026</u>	<u>181,942</u>	<u>243,605</u>	<u>58,344</u>	<u>29,083</u>	<u>411,619</u>	<u>1,517,619</u>
At 1 April 2023	593,026	181,942	243,605	58,344	29,083	411,619	1,517,619
Loss for the year	-	-	-	-	-	(95,638)	(95,638)
Other comprehensive income:							
- Currency translation difference	-	-	-	-	(556)	-	(556)
Total comprehensive income	-	-	-	-	(556)	(95,638)	(96,194)
Statutory reserve	-	-	-	1,956	-	(1,956)	-
At 31 March 2024	<u>593,026</u>	<u>181,942</u>	<u>243,605</u>	<u>60,300</u>	<u>28,527</u>	<u>314,025</u>	<u>1,421,425</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). HKFRSs comprise Hong Kong Financial Reporting Standards (“**HKFRS**”); Hong Kong Accounting Standards (“**HKAS**”); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Companies Ordinance (Cap. 622).

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules – Amendments to HKAS 12
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(b) Revised HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to standards and interpretation that have been issued but not yet effective:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“ HK Int 5 (Revised) ”)	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025

Except for the amendments to standards mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

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

	As at 31 March	
	2024	2023
	RMB'000	RMB'000
Contract assets		
Non-current	23,997	66,833
Loss allowance	(200)	(284)
	<u>23,797</u>	<u>66,549</u>
Current	236,987	255,435
Loss allowance	(929)	(1,200)
	<u>236,058</u>	<u>254,235</u>
Total contract assets	<u>259,855</u>	<u>320,784</u>

4. REVENUE

An analysis of revenue is as follows:

	Year ended 31 March	
	2024	2023
	RMB'000	RMB'000
Timing of revenue recognition		
– Over the time		
One-stop tower crane solution services:		
– Operating Lease	289,513	385,331
– Hoisting Service	380,443	380,871
Dry lease	12,336	4,550
	<u>682,292</u>	<u>770,752</u>

5. OTHER INCOME

	Year ended 31 March	
	2024	2023
	RMB'000	RMB'000
Value-added tax refund	668	3,852
Government grants	621	2,310
Others	1,500	958
	<u>2,789</u>	<u>7,120</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.

6. OTHER (LOSSES)/GAINS, NET

	Year ended 31 March	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Exchange losses	(38)	(665)
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	<u>(5,630)</u>	<u>3,519</u>
	<u>(5,668)</u>	<u>2,854</u>

7. EXPENSES BY NATURE

	Year ended 31 March	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment and right-of-use assets	283,185	283,271
Labour subcontracting cost	228,190	229,343
Employee benefit expenses	88,517	108,803
Rental expenses	30,028	22,342
Material fees	16,990	15,894
Travel expenses	15,518	15,183
Repair expenses	4,295	9,316
Commission expenses	8,637	8,314
Entertainment expenses	5,625	5,948
Professional fees	4,728	5,572
Amortisation of intangible assets	4,466	4,497
Office expenses	5,947	3,888
Transportation expenses	2,397	3,176
Auditor's remuneration	2,981	3,135
Others	<u>16,417</u>	<u>13,967</u>
	<u>717,921</u>	<u>732,649</u>

8. FINANCE COSTS AND INCOME

	Year ended 31 March	
	2024 RMB'000	2023 RMB'000
Finance costs:		
Interest expenses on bank borrowings	57,227	41,509
Interest expenses on loans from a related party	–	372
Interest expenses on lease liabilities	5,278	3,142
Net exchange losses on foreign currency borrowings and loans from a related party	<u>2,015</u>	<u>36,492</u>
Total finance costs	<u>64,520</u>	<u>81,515</u>
Finance income:		
Interest income	<u>(948)</u>	<u>(718)</u>
Finance costs – net	<u><u>63,572</u></u>	<u><u>80,797</u></u>

9. INCOME TAX CREDIT

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

	Year ended 31 March	
	2024 RMB'000	2023 RMB'000
Current tax on profits for the year	54	1,758
Deferred income tax	<u>(9,823)</u>	<u>(3,078)</u>
Income tax credit	<u><u>(9,769)</u></u>	<u><u>(1,320)</u></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 loss before taxation can be reconciled as follows:

	Year ended 31 March	
	2024 RMB'000	2023 RMB'000
Loss before taxation	<u><u>(105,407)</u></u>	<u><u>(37,133)</u></u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	(21,027)	(5,823)
Expenses not deductible for tax purposes	694	561
Temporary difference for which no deferred tax (liability)/asset was recognised	(360)	124
Tax losses for which no deferred tax asset was recognised	14,184	8,564
Utilisation of the tax losses unrecognized previously	(728)	(1,163)
Super deductions from research and development expenditures	<u>(2,532)</u>	<u>(3,583)</u>
Income tax credit	<u><u>(9,769)</u></u>	<u><u>(1,320)</u></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, save for disclosed below.

Pursuant to the relevant laws and regulation in the PRC, in November 2021, the Group’s subsidiaries, China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd. (“**Huaxing Tat Hong**”) and Jiangsu Zhongjian Tat Hong Machinery Construction Co. Ltd. (“**Zhongjian Tat Hong**”), were accredited as high-tech enterprises, and were entitled to the preferential tax rate of 15% for three years effective from 2021. The qualification of high-tech enterprise is subject to renewal for each three years interval.

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

Deferred income tax liability has not been recognised for the withholding tax that would be payable on part of distributable retained profits of the Company’s subsidiaries in the PRC. Such distributable retained profits are not expected to be distributed out of the PRC.

10. DIVIDENDS

	Year ended 31 March	
	2024	2023
	RMB’000	RMB’000
Dividend payable at the beginning of the year	–	29,087
Declaration of dividends	–	16,411
Dividends paid	–	(45,498)
	<u>–</u>	<u>(45,498)</u>
Dividends payable at the end of the year	<u>–</u>	<u>–</u>

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

On 28 June 2024, the directors resolved not to recommend payment of a final dividend in respect of the year ended 31 March 2024.

11. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to the equity holders of the Company by the weighted average number of shares in issue during the financial year. Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. The fully diluted loss per share for the financial year is the same as the basic loss per share as there is no dilutive potential share during the current and previous year.

	Year ended 31 March	
	2024	2023
	RMB'000	RMB'000
Loss attributable to the ordinary equity holders of the Company	<u>(95,638)</u>	<u>(35,813)</u>
Weighted average number of ordinary shares in issue ('000)	1,166,871	1,166,871
Basic and diluted loss per share (RMB)	<u>(0.08)</u>	<u>(0.03)</u>

12. TRADE RECEIVABLES

	As at 31 March	
	2024	2023
	RMB'000	RMB'000
Accounts receivables	754,428	647,347
Less: provision for impairment	<u>(19,958)</u>	<u>(16,276)</u>
	<u>734,470</u>	<u>631,071</u>

The majority of the Group's receivables are with credit terms from 30 days to 90 days. At 31 March 2024 and 2023, the aging analysis of the trade receivables, based on invoice date were as follows:

	As at 31 March	
	2024	2023
	RMB'000	RMB'000
Within credit term	221,352	186,923
Less than 180 days past due	218,465	220,259
181 days to 365 days past due	105,702	98,976
1 to 2 years past due	130,033	79,226
More than 2 years past due	<u>78,876</u>	<u>61,963</u>
	<u>754,428</u>	<u>647,347</u>

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

As at 31 March 2024, the Group pledged accounts receivable with carrying amount of approximately RMB233,124,000 (2023: RMB179,542,000) for the bank borrowings of the Group.

The Group's trade receivables were denominated in RMB.

13. SHARE CAPITAL

	Number of shares Authorised '000	Number of Shares Issued '000	Share Capital USD'000	Share Capital RMB'000
As at 31 March 2023 and 2024 (ordinary shares of USD0.08 each)	<u>1,875,000</u>	<u>1,166,871</u>	<u>93,350</u>	<u>593,026</u>

14. RESERVES

Reserves of the Group during the years ended 31 March 2024 and 2023 comprised of share premium, capital reserve, statutory reserve and other reserve.

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

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

As stipulated by the relevant PRC laws and regulations applicable to the Company’s subsidiaries established and operated in the PRC, the subsidiaries are required to make appropriation from profit after tax (after offsetting prior years’ losses) to statutory reserve. The PRC entities are required to transfer at least 10% of its net profit as determined under the PRC accounting rules and regulations, to their statutory reserve. The appropriations to the statutory reserve are required until the balance reaches 50% of the subsidiaries’ registered capital. The statutory reserve can be utilised to offset prior year losses. The Company’s PRC subsidiaries are restricted in their ability to transfer a portion of their reserve either in the form of dividends, loans or advances.

Other reserves consist of translation reserves and shares granted and vested under Share Award Schemes.

15. BORROWINGS

	As at 31 March	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Bank borrowings – Secured	514,903	598,830
Bank borrowings – Unsecured	3,414	–
Other borrowings	<u>94,088</u>	<u>18,585</u>
	<u>612,405</u>	<u>617,415</u>

	As at 31 March	
	2024	2023
	RMB'000	RMB'000
Current		
Bank borrowings – Secured	395,232	316,979
Bank borrowings – Unsecured	42,290	36,162
Other borrowings	45,954	10,704
	<u>483,476</u>	<u>363,845</u>
Total borrowings	<u><u>1,095,881</u></u>	<u><u>981,260</u></u>

As at end of reporting period, the Group's borrowings were repayable as follows:

	As at 31 March	
	2024	2023
	RMB'000	RMB'000
Within 1 year	483,476	363,845
Between 1 and 2 years	174,941	134,372
Between 2 and 5 years	437,464	483,043
	<u>1,095,881</u>	<u>981,260</u>

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

	As at 31 March	
	2024	2023
	RMB'000	RMB'000
RMB	1,053,386	926,784
HKD	42,495	30,569
SGD	–	18,764
USD	–	5,143
	<u>1,095,881</u>	<u>981,260</u>

The weighted average effective interest rates per annum for the years ended 31 March 2024 and 2023 were as follows:

	Year ended 31 March	
	2024	2023
SGD	–	4.8%
RMB	5.0%	4.6%
USD	–	4.0%
HKD	6.4%	1.7%

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

16. TRADE AND BILLS PAYABLES

	As at 31 March	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	290,801	344,296
Bills payable	36,970	42,972
	<u>327,771</u>	<u>387,268</u>

As at 31 March 2024 and 2023, the aging analysis 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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	116,143	102,443
Between 3 months and 1 year	114,223	203,526
Between 1 year and 2 years	50,623	35,777
Between 2 years and 3 years	6,840	1,296
Between 3 years and 5 years	821	768
Over 5 years	2,151	486
	<u>290,801</u>	<u>344,296</u>

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

As at 31 March 2024 and 2023, the aging of bills payable was within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

During the financial year, the post COVID-19 recovery of the construction industry was sluggish due to the downturn of the property market in the PRC. As a result, both the supply of new domestic construction projects and average monthly service price of tower cranes per tonne meter (TM) decreased in the financial year. In order to maintain its domestic market position, the Group had expanded its geographical frontier to the Greater Bay Area to cover Hong Kong and Macau. As of March 2024, we have deployed 10 and 19 tower cranes, respectively, in Hong Kong and Macau. We have also expanded our business portfolio to the construction projects related to clean energy, thermal power and nuclear power. We expect such expansion in geographical locations and business segments will enhance the Group's financial performance in the coming year.

During the year, we had continued our investment in the digitalization of our management platform and the research and development of new tower crane technical solutions. As at 31 March 2024, we possess 158 registered patents for utility models and inventions relating to tower cranes. We believe our robust technical capabilities will continue to enable us to procure projects, and the enhancement in our research and development capabilities for tower crane technical solutions will reinforce our excellent delivery in services.

As at 31 March 2024, we are managing a total of 1,174 tower cranes, so as to cater for our customers' specialised range of EPC projects throughout the PRC. As at 31 March 2024, We had 259 projects in progress with a total outstanding contract value of approximately RMB417.7 million and 168 projects on hand of total expected contract value at approximately RMB690.3 million.

Operating Results

The Group recorded a net loss of approximately RMB95.6 million for the year ended 31 March 2024 representing an increase of approximately 167.0% as compared with the net loss of approximately RMB35.8 million for the year ended 31 March 2023. This increase in loss was primarily due to the slower economic growth and the sluggish recovery of the construction sector post-COVID. Consequently, our (i) total TM in use decreased from 3,192,710 for the year ended 31 March 2023 to 3,178,404 for the year ended 31 March 2024; and (ii) our average monthly service price for tower cranes per TM in use decreased from RMB241 to RMB215.

Future Development

While both of the property market and the construction industry in the PRC were in a downturn during the financial year, the Group has promptly adopted adjustments to the Group's development strategies including the expansion to the clean energy construction segment and the geographical expansion to the Greater Bay Area and Indonesia, so as to cope with the difficult and rapidly changing business environment. In the coming financial year, we will continue to further strength our position in the above new segments and locations, and seize new opportunities in the market.

With our core corporate values “Virtue (厚德), Safety (安全) and Excellence (卓越)”, we will continue to concentrate on the research and development of new tower crane technologies to equip ourselves with the most robust technical capabilities to deliver excellent services to our clients. During the year, we had implemented the digitalized management platforms namely “TOP” and “iSmartCon”. In the coming year, we will continue our efforts to optimize our operation and digitalize our management platforms, so as to achieve resources sharing, cost reduction and efficiency enhancement. With all the above measures, we believe we can fulfil the Group's goal to become “the best construction equipment service provider” in the industry.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 11.5% from RMB770.8 million for the year ended 31 March 2023 to RMB682.3 million for the year ended 31 March 2024, primarily due to our total tonne metre (TM) in use decreased from 3,192,710 for the year ended 31 March 2023 to 3,178,404 for the year ended 31 March 2024, and the average monthly service price of tower cranes per tonne metres (TM) in use decreased from RMB241 to RMB215.

Cost of Sales

Our cost of sales slightly increased by approximately 0.7% from RMB597.5 million for the year ended 31 March 2023 to RMB601.5 million for the year ended 31 March 2024. The increase in cost of sales was primarily due to rising rental costs, which was partially mitigated by the decrease in labor subcontracting and staff costs.

Gross Profit and Gross Profit Margin

Our overall gross profit decreased by approximately 53.4% from RMB173.2 million for the year ended 31 March 2023 to RMB80.8 million for the year ended 31 March 2024. Our overall gross profit margin decreased from approximately 22.5% for the year ended 31 March 2023 to approximately 11.8% for the year ended 31 March 2024.

Other income

Our other income for the year ended 31 March 2024 amounted to approximately RMB2.8 million, representing a decrease of approximately RMB4.3 million or 60.8% as compared to that of approximately RMB7.1 million for the year ended 31 March 2023. The other income mainly comprised of value-add tax refund and government grants. The decrease was primarily attributed to lower value-added tax refunds and government grants.

Research and development expenses

Our research and development expenses decreased from approximately RMB29.7 million for the year ended 31 March 2023 to approximately RMB19.4 million for the year ended 31 March 2024. This was mainly due to the decrease in development works on patents.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 3.9% from approximately RMB14.5 million for the year ended 31 March 2023 to approximately RMB15.0 million for the year ended 31 March 2024. Such increase was mainly due to increase in travel expenses.

General and administrative expenses

Our general and administrative expenses decreased by approximately RMB9.0 million or 9.9% from approximately RMB91.0 million for the year ended 31 March 2023 to RMB82.0 million for the year ended 31 March 2024. The general and administrative expenses mainly comprised of professional expenses, salary costs and office expenses. Such decrease was primarily attributable to decrease in employee benefit expenses.

Finance costs

Our finance costs decreased by approximately RMB17.0 million or 20.9% from approximately RMB81.5 million for the year ended 31 March 2023 to RMB64.5 million for the year ended 31 March 2024. The decrease was mainly due to the decrease in recognition of net exchange losses which arose from foreign currency borrowings.

Income Tax Credit

Our income tax credit for the year ended 31 March 2024 amounted to approximately RMB9.8 million, representing an increase of approximately RMB8.5 million or 640.1% as compared to that of approximately RMB1.3 million for the year ended 31 March 2023. This was primarily due to the increase of loss for the year ended 31 March 2024.

Loss for the year

As a result of the foregoing reason, the Group recorded a loss of RMB95.6 million for the year ended 31 March 2024 as compared to a loss of RMB35.8 million for the year ended 31 March 2023, representing an increase of approximately RMB59.8 million or approximately 167.0%.

Working capital structure

The Group's net current assets amounted to RMB395.1 million as at 31 March 2024, representing an increase of RMB11.5 million from 31 March 2023, which was mainly due to the increase in the trade receivables.

Liquidity and financial management

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

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad-hoc events. As at 31 March 2024, the cash and cash equivalents plus restricted cash were RMB139.3 million, representing a decrease of RMB19.7 million when compared with those for the year ended 31 March 2023.

The Group's current ratio, which represents the total sum of current assets, divided by the total sum of current liabilities, was 1.44 times as at 31 March 2024, which was equal to that of 31 March 2023.

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 83.0% as at 31 March 2024 compared to that of 70.3% as at 31 March 2023. The increase in gearing ratio was mainly attributable to the increase in borrowings.

Pledge of assets

As at 31 March 2024, the Group pledged machineries with carrying amount of approximately RMB966.7 million (2023: RMB962.3 million) for the bank borrowings and other borrowings of the Group.

As at 31 March 2024, the Group pledged accounts receivable with carrying amount of approximately RMB233.1 million (2023: RMB180.0 million) for the bank borrowing of the Group.

As at 31 March 2024, the land-use rights with carrying value of approximately RMB11.9 million (2023: RMB12.4 million) were secured for the bank borrowings of the Group.

As at 31 March 2024, the buildings with carrying value of approximately RMB5.0 million (2023: 5.0 million) were secured for the bank borrowings of the Group.

Lease Liabilities

The lease liabilities decreased by 1.4% from approximately RMB85.7 million as at 31 March 2023 to approximately RMB84.4 million as at 31 March 2024. This was mainly due to the payments for lease liabilities during the year ended 31 March 2024.

As at 31 March 2024, the lease liabilities of RMB18.9 million were secured by the pledge of machinery with carrying value of 16.4 million (2023: nil).

CAPITAL COMMITMENT

As at 31 March 2024, the contracted but not provided property, plant and equipment was RMB3.1 million, representing a decrease of RMB16.0 million from that as at 31 March 2023.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK MANAGEMENT

The net exchange loss for the year ended 31 March 2024 amounted to approximately RMB2.1 million, representing a decrease of approximately RMB35.1 million as compared to that of approximately RMB37.2 million for the year ended 31 March 2023. The Group mainly operates in the PRC with RMB as the functional currency, and the most of foreign currency loans have been converted into the RMB loans. The Board is of the view that the Group's foreign exchange rate risks are not the main risks in the subsequences period. Thus, the Group did not enter into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2024.

USE OF PROCEEDS FROM THE LISTING

On 13 January 2021, the shares of the Company (the “**Shares**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The shares were issued to the public at HKD1.73 per share, and the Group received net proceeds (the “**Net Proceeds**”) of approximately HKD485.5 million from the global offering of its Shares (the “**Global Offering**”) after deducting the underwriting fees and commissions and other expenses incurred by the Group in connection with the Global Offering. As of 31 March 2024, the amount of net proceeds have been fully utilised. Set out below are details of the planned allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as of 31 March 2024:

Usage	%	Planned	Unutilised	Utilised net	Utilised net	Unutilised net	Expected timeline of full utilization of the balance
		allocation of the net proceeds <i>HKD'000</i>	net proceeds as at 1 April 2024 <i>HKD'000</i>	proceeds during the year ended 31 March 2024 <i>HKD'000</i>	proceeds up to 31 March 2024 <i>HKD'000</i>	proceeds as at 31 March 2024 <i>HKD'000</i>	
Purchase tower cranes	63.0%	305,865	60,493	60,493	305,865	–	Fully utilised
Purchase equipment and to conduct foundation work for our Yangzhou Refurbishment Centre (as defined in the prospectus of the Company dated 30 December 2020)	5.3%	25,732	–	–	25,732	–	Fully utilised
Hire additional personnel equipped with special skills to improve our service capacity and competitiveness	3.2%	15,536	–	–	15,536	–	Fully utilised
Repay part of our bank borrowings	18.5%	89,817	–	–	89,817	–	Fully utilised
Working capital and other general corporate purposes	10.0%	48,550	–	–	48,550	–	Fully utilised
	<u>100%</u>	<u>485,500</u>	<u>60,493</u>	<u>60,493</u>	<u>485,500</u>	<u>–</u>	

FINAL DIVIDEND

The Board has resolved not to recommend the payment of final dividend for the year ended 31 March 2024 (2023: nil).

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

During the year ended 31 March 2024, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 31 March 2024, the Group did not have any immediate plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2024, the Group did not have any significant investment or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2024, the Group employed around 732 employees who include the Directors of the Company and those of subsidiaries (2023: 1353 employees). The total employee benefit expense for the year ended 31 March 2024 was RMB88.5 million, a decrease of 18.6% when compared with that for the year ended 31 March 2023. Such decrease was mainly attributable to decrease in number of staff headcount.

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

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

EVENTS AFTER THE REPORTING PERIOD

On 3 April 2024, the Company has launched a SGD50 million multicurrency multi-series unsecured and unsubordinated commercial paper facility programme (the “**SDAX Multicurrency CP Facility Programme**”) pursuant to which the Company may issue and list commercial paper in the form of security tokens in multiple series on the SDAX digital platform operated by SDAX Exchange Pte. Ltd., a company incorporated in Singapore that is a recognised market operator and regulated by the Monetary Authority of Singapore.

On 3 April 2024, the Company has launched the first issue of commercial papers in the form of digital securities denominated in Singapore Dollars under the SDAX Multicurrency CP Facility Programme at an interest rate of 5.6% per annum and matures approximately three (3) months from the date of issuance (the “**3-month SGD Series 001 Issuance**”). For further details, please refer to the announcement of the Company dated 3 April 2024.

Save as disclosed in this announcement, there were no other significant events that might affect the Group since 31 March 2024 and up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The Board has reviewed the corporate governance practices of the Company and is of the view that the Company has applied and complied with all the principles and code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules during the year ended 31 March 2024.

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

During the year ended 31 March 2024 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its code of conduct regarding the securities transactions by the Directors on the terms no less exacting terms than the required standard set forth in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiries of all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 March 2024.

2024 AGM

The 2024 AGM of the Company will be held at Room 601, Building 8, PortMix, No. 2377 Shenkun Road, Minhang District, Shanghai, the PRC on Thursday, 26 September 2024. The notice of the 2024 AGM of the Company will be published and despatched to the Shareholders in the manner as required by the Listing Rules and the Articles of Association of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Monday, 23 September 2024 to Thursday, 26 September 2024 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer forms accompanied by relevant share certificates must be lodged for registration with Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 20 September 2024.

AUDIT COMMITTEE

The Company has set up an audit committee (the “**Audit Committee**”) for the purposes of reviewing and providing supervision over financial reporting process and internal audit function of the Group, reviewing the internal controls and risk management system of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen. Ms. Pan I-Shan is the Chairlady of Audit Committee. The Audit Committee has reviewed the consolidated annual results of the Group for the year ended 31 March 2024, and the accounting principles and practices adopted by the Group, the internal controls and risk management system and financial reporting matters, and has given their opinion and recommendations to the Board on 28 June 2024. The Audit Committee considers that the annual financial information of the Company has complied with the applicable accounting standards and the Company has made appropriate disclosure thereof.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2024 as set out in this announcement have been agreed by the Group’s external auditor, RSM Hong Kong, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 March 2024. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on this announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS AND DESPATCH OF ANNUAL REPORT

This annual results announcement of the Company has been published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.tathongchina.com). The annual report of the Company for the year ended 31 March 2024 containing all the relevant information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

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

Hong Kong/the PRC, 28 June 2024

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