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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

FINANCIAL HIGHLIGHTS

The Group recorded revenue of approximately RMB340.9 million for the six months ended 30 September 2024, representing a decrease of approximately RMB17.7 million or approximately 4.9% as compared with that for the six months ended 30 September 2023.

Loss attributable to owners of the Company for the six months ended 30 September 2024 amounted to approximately RMB36.2 million, representing an increase of approximately RMB15.8 million or approximately 77.2% as compared with the loss attributable to owners of the Company for the same period in 2023. Such increase in loss was mainly due to the decrease in the average monthly service price of tower cranes per tonne metres (TM) in use from RMB225 to RMB208, thereby affecting the Group's revenue.

Basic loss per share for the six months ended 30 September 2024 amounted to RMB0.03, representing an increase of RMB0.01 when compared with the basic loss per share of RMB0.02 for the corresponding period in 2023.

The Board did not recommend the payment of an interim dividend for the six months ended 30 September 2024.

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 2024, together with comparative figures for the six months ended 30 September 2023 as set out below.

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

		Unaudited	
		Six months ended	
		30 September	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	340,904	358,629
Cost of sales		<u>(292,895)</u>	<u>(294,841)</u>
Gross profit		48,009	63,788
Selling and distribution expenses		(8,166)	(6,566)
General and administrative expenses		(37,468)	(39,579)
Research and development expenses		(10,240)	(11,712)
Reversal of provision/(provision) for financial assets and contract assets		270	(2,769)
Other income		798	1,487
Other gains/(losses), net		<u>1,153</u>	<u>(143)</u>
Operating (loss)/profit		(5,644)	4,506
Finance costs	5	(32,957)	(30,971)
Finance income	5	<u>348</u>	<u>531</u>
Loss before income tax		(38,253)	(25,934)
Income tax credit	6	<u>2,050</u>	<u>5,498</u>
Loss for the period		<u><u>(36,203)</u></u>	<u><u>(20,436)</u></u>
Loss for the period attributable to:			
Owners of the Company		<u><u>(36,203)</u></u>	<u><u>(20,436)</u></u>
Other comprehensive loss, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		<u>(626)</u>	<u>(564)</u>
Other comprehensive loss for the period, net of tax		<u>(626)</u>	<u>(564)</u>
Total comprehensive loss for the period, net of tax		<u><u>(36,829)</u></u>	<u><u>(21,000)</u></u>
Basic and diluted loss per share (RMB)	8	<u><u>(0.03)</u></u>	<u><u>(0.02)</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2024

		Unaudited	Audited
		As at	As at
		30 September	31 March
		2024	2024
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,570,731	1,556,816
Right-of-use assets		96,983	101,193
Intangible assets		14,459	16,710
Contract assets	3	15,486	23,797
Other non-current assets		<u>103,428</u>	<u>81,247</u>
Total non-current assets		<u>1,801,087</u>	<u>1,779,763</u>
Current assets			
Inventories		40,116	44,464
Contract assets	3	202,972	236,058
Trade receivables	9	838,728	734,470
Prepayments and other receivables		150,129	128,324
Financial assets at fair value through other comprehensive income		10,289	15,574
Restricted cash		-	370
Cash and cash equivalents		<u>174,837</u>	<u>138,938</u>
Total current assets		<u>1,417,071</u>	<u>1,298,198</u>
Total assets		<u>3,218,158</u>	<u>3,077,961</u>

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

AS AT 30 SEPTEMBER 2024

		Unaudited As at 30 September 2024 RMB'000	Audited As at 31 March 2024 RMB'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings	12	598,010	612,405
Lease liabilities		82,609	58,306
Deferred income tax liabilities		55,608	57,805
Provisions		<u>27,207</u>	<u>24,906</u>
Total non-current liabilities		<u>763,434</u>	<u>753,422</u>
Current liabilities			
Trade and bills payables	13	394,648	327,771
Contract liabilities		2,236	2,531
Other payables and accruals		40,735	31,436
Borrowings	12	582,243	483,476
Lease liabilities		24,632	26,138
Provisions		<u>25,634</u>	<u>31,762</u>
Total current liabilities		<u>1,070,128</u>	<u>903,114</u>
Total liabilities		<u>1,833,562</u>	<u>1,656,536</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	10	593,026	593,026
Reserves	11	513,748	514,374
Retained earnings		<u>277,822</u>	<u>314,025</u>
Total equity		<u>1,384,596</u>	<u>1,421,425</u>
Total equity and liabilities		<u>3,218,158</u>	<u>3,077,961</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 2023 (audited)	593,026	181,942	243,605	58,344	29,083	411,619	1,517,619
Loss for the period	-	-	-	-	-	(20,436)	(20,436)
Other comprehensive income:							
- Currency translation difference	-	-	-	-	(564)	-	(564)
Total comprehensive loss	-	-	-	-	(564)	(20,436)	(21,000)
At 30 September 2023 (unaudited)	<u>593,026</u>	<u>181,942</u>	<u>243,605</u>	<u>58,344</u>	<u>28,519</u>	<u>391,183</u>	<u>1,496,619</u>
At 1 April 2024 (audited)	593,026	181,942	243,605	60,300	28,527	314,025	1,421,425
Loss for the period	-	-	-	-	-	(36,203)	(36,203)
Other comprehensive income:							
- Currency translation difference	-	-	-	-	(626)	-	(626)
Total comprehensive loss	-	-	-	-	(626)	(36,203)	(36,829)
At 30 September 2024 (unaudited)	<u>593,026</u>	<u>181,942</u>	<u>243,605</u>	<u>60,300</u>	<u>27,901</u>	<u>277,822</u>	<u>1,384,596</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2024 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.

These condensed consolidated financial statements should be read in conjunction with those of the annual financial statements for the year ended 31 March 2024. Except as described below, the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2024.

2. NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

(a) New and amended standard adopted by the Group

The Group has applied the following amendments for the first time from 1 January 2024:

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to HKAS 1;
- Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause – HK Int 5 (Revised);
- Lease Liability in Sale and Leaseback – Amendments to HKFRS 16;
- Supplier Finance Arrangements – Amendments to HKAS 7 and HKFRS 7.

As a result of the adoption of the amendments to HKAS 1, the Group changed its accounting policy for the classification of borrowings as below:

“Borrowings are classified as current liabilities unless at the end of the reporting period, the Group has a right to defer settlement of the liability for at least 12 months after the reporting period.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

Except for those as mentioned above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting other amended standards or revised interpretation.

(b) Impact of new and amended standards issued but not yet adopted by the Group

In September 2023, HKICPA amended HKAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not. These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. The management does not expect the amendment to have a material impact on the consolidated financial statements.

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of the consolidated financial statements.

3. SEGMENT INFORMATION

The executive directors of the Company have been identified as the chief operating decision-makers of the Group who review the Group's internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

The operating segments derive their revenue primarily from the tower crane service.

No geographical segment information is presented as all the revenue and operating profits of the Group are derived within PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

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

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2024	2024
	RMB'000	RMB'000
Contract assets		
Non-current	15,508	23,997
Loss allowance	<u>(22)</u>	<u>(200)</u>
	<u>15,486</u>	<u>23,797</u>
Current	204,673	236,987
Loss allowance	<u>(1,701)</u>	<u>(929)</u>
	<u>202,972</u>	<u>236,058</u>
Total contract assets	<u>218,458</u>	<u>259,855</u>

4. REVENUE

An analysis of revenue is as follows:

	Unaudited	
	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
Timing of revenue recognition – Over the time		
One-stop tower crane solution services:		
– Operating Lease	137,962	141,664
– Hoisting Service	188,880	210,019
Dry lease	14,062	6,946
	340,904	358,629

5. FINANCE COSTS AND INCOME

	Unaudited	
	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
Finance costs:		
Interest expenses on borrowings and loans from a related party	29,542	27,112
Interest expenses on lease liabilities	2,393	1,363
Net exchange losses on foreign currency borrowings and loans from a related party	1,022	2,496
Total finance costs	32,957	30,971
Finance income:		
Interest income	(348)	(531)
Finance costs – net	32,609	30,440

6. INCOME TAX CREDIT

	Unaudited	
	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
Current tax	148	–
Over-provision in prior years	–	(1,082)
Deferred income tax	<u>(2,198)</u>	<u>(4,416)</u>
Income tax credit	<u><u>(2,050)</u></u>	<u><u>(5,498)</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.

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

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax.

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 September 2024 is 5.3% (for the six months ended 30 September 2023: 21.3%).

7. DIVIDENDS

The Board did not recommend the payment of any dividend for the six months ended 30 September 2024 (2023: Nil).

8. LOSS PER SHARE

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

	Unaudited	
	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
Loss attributable to the owners of the Company	<u>(36,203)</u>	<u>(20,436)</u>
Weighted average number of ordinary shares in issue ('000)	1,166,871	1,166,871
Basic and diluted loss per share (RMB)	<u>(0.03)</u>	<u>(0.02)</u>

9. TRADE RECEIVABLES

	As at	As at
	30 September	31 March
	2024	2024
	RMB'000	RMB'000
Accounts receivable	857,784	754,428
Less: provision for impairment	<u>(19,056)</u>	<u>(19,958)</u>
	<u>838,728</u>	<u>734,470</u>

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

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2024	2024
	RMB'000	RMB'000
Within credit term	209,535	221,352
Less than 180 days past due	217,576	218,465
181 days to 365 days past due	159,911	105,702
1 to 2 years past due	141,296	130,033
More than 2 years past due	<u>129,466</u>	<u>78,876</u>
	<u>857,784</u>	<u>754,428</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 2024, the Group pledged accounts receivables with carrying amount of approximately RMB234,569,000 (31 March 2024: RMB233,124,000) for the bank borrowings of the Group.

The Group's trade receivables were denominated in RMB.

10. SHARE CAPITAL

Share capital as at 30 September 2024 and 31 March 2024, represented the share capital of the Group.

	Number of Shares Authorised <i>'000</i>	Number of Shares Issued <i>'000</i>	Share Capital <i>USD'000</i>	Share Capital <i>RMB'000</i>
As at 30 September 2024 (unaudited) and 31 March 2024 (audited) (ordinary shares of USD0.08 each)	<u>1,875,000</u>	<u>1,166,871</u>	<u>93,350</u>	<u>593,026</u>

11. RESERVES

Reserves of the Group during the six months ended 30 September 2024 and the year ended 31 March 2024 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.

12. BORROWINGS

	Unaudited As at 30 September 2024 <i>RMB'000</i>	Audited As at 31 March 2024 <i>RMB'000</i>
Non-current		
Bank borrowings – Secured	504,726	514,903
Bank borrowings – Unsecured	–	3,414
Other borrowings	<u>93,284</u>	<u>94,088</u>
	<u>598,010</u>	<u>612,405</u>
Current		
Bank borrowings – Secured	400,855	395,232
Bank borrowings – Unsecured	42,670	42,290
Commercial papers	96,337	–
Other borrowings	<u>42,381</u>	<u>45,954</u>
	<u>582,243</u>	<u>483,476</u>
Total borrowings	<u><u>1,180,253</u></u>	<u><u>1,095,881</u></u>

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

	Unaudited As at 30 September 2024 <i>RMB'000</i>	Audited As at 31 March 2024 <i>RMB'000</i>
Within 1 year	582,243	483,476
Between 1 and 2 years	358,741	174,941
Between 2 and 5 years	<u>239,269</u>	<u>437,464</u>
	<u><u>1,180,253</u></u>	<u><u>1,095,881</u></u>

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

	Unaudited As at 30 September 2024 <i>RMB'000</i>	Audited As at 31 March 2024 <i>RMB'000</i>
RMB	1,045,757	1,053,386
HKD	38,159	42,495
SGD	96,337	—
	<u>1,180,253</u>	<u>1,095,881</u>

The weighted average effective interest rates per annum for the six months ended 30 September 2024 and the year ended 31 March 2024 were as follows:

	Unaudited Six months ended 30 September 2024 <i>RMB'000</i>	Audited Year ended 31 March 2024 <i>RMB'000</i>
SGD	5.6%	—
RMB	4.9%	5.0%
HKD	6.3%	6.4%

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.

13. TRADE AND BILLS PAYABLES

	Unaudited As at 30 September 2024 <i>RMB'000</i>	Audited As at 31 March 2024 <i>RMB'000</i>
Accounts payable	340,784	290,801
Bills payable	53,864	36,970
	<u>394,648</u>	<u>327,771</u>

As at 30 September 2024 and 31 March 2024, the aging analysis of the trade payables (including amounts due to related parties of trading in nature) based on transaction date is as follows:

	Unaudited	Audited
	As at	As at
	30 September	31 March
	2024	2024
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	117,813	116,143
Between 3 months and 1 year	147,905	114,223
Between 1 year and 2 years	52,250	50,623
Between 2 years and 3 years	19,801	6,840
Between 3 years and 5 years	2,001	821
Over 5 years	1,014	2,151
	<u>340,784</u>	<u>290,801</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group mainly engages in the provision of one-stop tower crane solution services covering consultation, technical design, commissioning, construction to after-sales services to Chinese Special-tier and Tier-1 EPC contractors in the industries of infrastructure, clean energy, traditional energy, public and factory building, commercial and residential building etc.. During the six months ended 30 September 2024, global economic recovery had slowed down, and the downward pressure on the domestic economy had been significant. Under the effect of insufficient market demand and the decline in the average monthly service price of tower cranes per tonne metres (TM), the supply and demand mismatch had resulted in high market competition in the entire construction machinery industry.

In view of the slow recovery of the domestic construction market, the Group had adjusted its business strategy. With the national and international calls for green energy and the support to corporations to accelerate transformation, the Group had established a “Clean Energy Division” in 2023 to focus on the expansion and operation of energy-related businesses. The Group had actively steered towards thermal power plant projects and nuclear power projects. Related projects procured by the Group during the period are expected to be reflected in future results.

In order to mitigate the impact of the slow recovery of the domestic economy, the Group had begun to speed up its expansion into overseas markets. As the first foreign-funded tower crane service provider established in the People’s Republic of China, our brand awareness, rich industry experience, proven construction technologies, strong technical strength and strong customer base will facilitate our expansion into overseas markets. The Group had been exploiting the Indonesian market since 2018. After years of prudent strategic deployment, the Group had successfully established a joint venture with a local partner in Indonesia in 2024. The partner had many years of experience in operating business in the Indonesian market which could facilitate our entry into the Indonesian market.

The Group will continue to focus on fleet expansion on medium-to-large sized tower cranes to capture future growth opportunities. During the six months ended 30 September 2024, the Group managed a total of 1,193 tower cranes, making our tower crane fleet the second largest in China’s tower crane service market. Our large-scale tower crane fleet enables us to place our focus on large to medium-sized construction projects, providing them with comprehensive tower crane services with a wide range of lifting capacities (ranging from 80 to 3,055 tonne metres (TM)). We believe that by owning a considerable number of medium-to-large sized tower cranes, we will be able to tender for larger and more complex projects, which in turn, will increase the revenue and profit margins for our future projects.

Operating Results

The Group recorded a net loss of approximately RMB36.2 million for the six months ended 30 September 2024, representing an increase of approximately 77.2% as compared with the net loss of approximately RMB20.4 million for the six months ended 30 September 2023. Such increase was mainly due the decrease in the average monthly service price of tower cranes per tonne metres (TM) in use from RMB225 to RMB208, thereby affecting the Group’s revenue.

Future Development

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

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to RMB340.9 million for the six months ended 30 September 2024, representing an approximately 4.9% decrease from that for the six months ended 30 September 2023. Although our total TM in use increased from 1,594,911 for the six months ended 30 September 2023 to 1,637,740 for the six months ended 30 September 2024, the average monthly service price of tower cranes per tonne metres (TM) in use decreased from RMB225 to RMB208, thereby affecting the Group's revenue.

Cost of Sales

Our cost of sales decreased by approximately 0.7% from approximately RMB294.8 million for the six months ended 30 September 2023 to approximately RMB292.9 million for the six months ended 30 September 2024. Such decrease was mainly attributable to decrease in repair cost and labor subcontracting cost.

Gross Profit and Gross Profit Margin

Our overall gross profit decreased by approximately 24.7% from approximately RMB63.8 million for the six months ended 30 September 2023 to approximately RMB48.0 million for the six months ended 30 September 2024. Our overall gross profit margin decreased from approximately 17.8% for the six months ended 30 September 2023 to approximately 14.1% for the corresponding period in 2024. Such decrease was mainly due to the combined effects of the above-mentioned factors.

Other income

The other income for the six months ended 30 September 2024 was approximately RMB0.8 million, representing a decrease of approximately RMB0.7 million or approximately 46.3% as compared to that of approximately RMB1.5 million for the six months ended 30 September 2023. Our other income mainly comprised of value-add tax refund and government grants. The decrease was mainly due to decrease in receipt of government grants.

Research and development expenses

Our research and development expenses decreased from approximately RMB11.7 million for the six months ended 30 September 2023 to approximately RMB10.2 million for the six months ended 30 September 2024. This was mainly due to decrease in development works on patents.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 24.4% from approximately RMB6.6 million for the six months ended 30 September 2023 to approximately RMB8.2 million for the six months ended 30 September 2024. Such increase was mainly due to increase in marketing and consulting fee.

General and administrative expenses

Our general and administrative expenses for the six months ended 30 September 2024 amounted to approximately RMB37.5 million, representing a decrease of approximately RMB2.1 million or 5.3% as compared to that of approximately RMB39.6 million for the six months ended 30 September 2023. The general and administrative expenses mainly comprised of professional expenses, salary costs and office expenses. Such decrease was primarily attributable to decrease in travelling expenses.

Finance costs

Our finance costs for the six months ended 30 September 2024 amounted to approximately RMB33.0 million, representing an increase of approximately RMB2.0 million or approximately 6.4% as compared to that of approximately RMB31.0 million for the six months ended 30 September 2023. The increase was mainly due to increase in borrowings during the period.

Income tax credit

Our income tax credit for the six months ended 30 September 2024 amounted to approximately RMB2.1 million, as compared to income tax credit of approximately RMB5.5 million for the six months ended 30 September 2023. Such decrease was due to decrease in tax refund during the period.

Loss for the Period

As a result of the foregoing reasons, the Group recorded a loss of RMB36.2 million during the six months ended 30 September 2024 as compared to a loss of RMB20.4 million in the corresponding period, representing an increase of approximately RMB15.8 million or approximately 77.2% as compared with that for the same period in 2023.

Working capital structure

The Group's net current assets amounted to approximately RMB346.9 million as at 30 September 2024, representing a decrease of approximately RMB48.1 million from that as at 31 March 2024, which was mainly due to increase in current-portion borrowings.

Liquidity and financial management

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

The Group strives to maintain a healthy financial position and liquidity for its normal operation, development needs and ad-hoc events. As at 30 September 2024, the cash and cash equivalents were approximately RMB174.8 million, representing an increase of approximately RMB35.9 million when compared with that as at 31 March 2024.

The Group's current ratio (which represents the total sum of current assets, divided by the total sum of current liabilities) was 1.32 times as at 30 September 2024, as compared to that of 1.44 times as at 31 March 2024. The decrease in current ratio was mainly attributable to increase in current-portion borrowings.

The gearing ratio of the Group, (which represents the total liabilities divided by the total assets), was 57.0% as at 30 September 2024, as compared to that of 53.8% as at 31 March 2024. The increase in gearing ratio was mainly attributable to the increase in borrowings.

Pledge of assets

As at 30 September 2024, the Group pledged machineries with carrying amount of approximately RMB911.7 million (31 March 2024: RMB966.7 million) for the bank borrowing and other borrowings of the Group.

As at 30 September 2024, the Group pledged accounts receivable with carrying amount of approximately RMB234.6 million (31 March 2024: RMB233.1 million) for the bank borrowing of the Group.

As at 30 September 2024, the land-use rights with carrying value of approximately RMB11.7 million (31 March 2024: RMB11.9 million) were secured for the bank borrowings of the Group.

As at 30 September 2024, the buildings with carrying value of approximately RMB4.8 million (31 March 2024: 5.0 million) were secured for the bank borrowings of the Group.

Lease Liabilities

The lease liabilities increased by approximately 27.0% from approximately RMB84.4 million as at 31 March 2024 to approximately RMB107.2 million as at 30 September 2024. This was mainly due to the increase of rented tower cranes leading to the increase of lease liabilities.

CAPITAL COMMITMENT

As at 30 September 2024, the contracted but not delivered property, plant and equipment was approximately RMB11.1 million, representing an increase of approximately RMB8.0 million from that as at 31 March 2024.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK MANAGEMENT

The net exchange gain for the six months ended 30 September 2024 amounted to approximately RMB0.2 million, as compared to the net exchange loss of approximately RMB2.4 million for the six months ended 30 September 2023. The Group mainly operates in the PRC with most of the transactions settled in RMB. The Board is of the view that the Group's foreign exchange rate risks are not the main risks in the subsequent period. 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 2024.

SIGNIFICANT INVESTMENT HELD

The Group had no significant investment as at 30 September 2024.

DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 September 2024 (2023: Nil).

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

During the six months ended 30 September 2024, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 30 September 2024, the Group did not have any immediate plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

During the six months ended 30 September 2024, the Group did not have any significant investment or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2024, the Group employed a total of 691 employees who include the directors of the Company and its subsidiaries (30 September 2023: 1,069 employees). The total employee benefits expenses for the six months ended 30 September 2024 was RMB40.6 million, a decrease of 13.2% when compared with that for the six months ended 30 September 2023. Such decrease was mainly attributable to the reduction in the 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 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 9 October 2024, the Company has launched the third 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 5.4% per annum and matures approximately three (3) months from the date of issuance. For further details, please refer to the announcement of the Company dated 9 October 2024.

Save as disclosed in this announcement, there were no other significant events that might affect the Group since 30 September 2024 and up to the date of this announcement.

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 six months ended 30 September 2024.

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

During the six months ended 30 September 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 six months ended 30 September 2024.

REVIEW OF THE INTERIM RESULTS

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

The Audit Committee has reviewed and has no disagreement to the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 September 2024 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 2024 containing all the relevant information required by the Listing Rules will be 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, 22 November 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 and Mr. Guo Jinjun as Non-executive Directors; and Ms. Pan I-Shan, Mr. Wan Kum Tho and Dr. Huang Chao-Jen as Independent Non-executive Directors.