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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 2021**

**FINANCIAL HIGHLIGHTS**

Revenue of the Group for the year ended 31 March 2021 amounted to RMB793.0 million, representing an increase of RMB48.0 million or 6.4% from the year ended 31 March 2020.

Profit attributable to equity shareholders of the Company for the year ended 31 March 2021 amounted to RMB101.2 million, representing an increase of RMB24.8 million or 32.4% from the year ended 31 March 2020.

Basic and diluted earnings per share for the year ended 31 March 2021 amounted to RMB11.0 cents, representing an increase of RMB2.0 cents when compared with the basic earnings per share of RMB9.0 cents for the year ended 31 March 2020.

The Board proposed a final dividend of HKD3.0 cents per share for the year ended 31 March 2021.

**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 annual results of the Group for the year ended 31 March 2021, together with comparative figures for the year ended 31 March 2020 as set out below.

Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Company’s prospectus dated 30 December 2020 (the “**Prospectus**”).

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March

	Notes	Year ended 31 March	
		2021 RMB'000	2020 RMB'000
Revenue	3	792,959	744,921
Cost of sales	4	(519,676)	(491,683)
<b>Gross profit</b>		<b>273,283</b>	<b>253,238</b>
Selling and distribution expenses	4	(18,794)	(12,623)
General and administrative expenses	4	(87,397)	(91,795)
Research and development expenses	4	(24,337)	(9,914)
Reversal of/(provision for) financial assets and contract assets		1,711	(5,464)
Other income	5	5,247	9,963
Other (losses)/gains, net	6	(564)	464
<b>Operating profit</b>		<b>149,149</b>	<b>143,869</b>
Finance costs	7	(13,967)	(33,680)
Finance income	7	727	1,019
<b>Profit before income tax</b>		<b>135,909</b>	<b>111,208</b>
Income tax expense	8	(34,674)	(34,749)
<b>Profit for the year</b>		<b>101,235</b>	<b>76,459</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>101,235</b>	<b>76,459</b>
<b>Other comprehensive income, net of tax</b>			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		(232)	33
Other comprehensive income for the year, net of tax		(232)	33
<b>Total comprehensive income for the year, net of tax</b>		<b>101,003</b>	<b>76,492</b>
<b>Basic and diluted earnings per share (expressed in RMB per share)</b>	9	<b>0.11</b>	<b>0.09</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March

		As at 31 March	
		2021	2020
	Notes	RMB'000	RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,136,550	1,155,953
Right-of-use assets		94,401	72,013
Intangible assets		30,034	34,537
Contract assets	10	32,916	22,860
Other non-current assets		46,818	25,929
		<u>1,340,719</u>	<u>1,311,292</u>
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		21,022	13,741
Contract assets	10	234,269	206,975
Trade receivables	10	454,428	361,875
Prepayments and other receivables		66,913	93,094
Financial assets at fair value through other comprehensive income		14,058	11,095
Financial assets at fair value through profit or loss		200,816	–
Cash and cash equivalents		149,515	44,430
		<u>1,141,021</u>	<u>731,210</u>
<b>Total current assets</b>			
		<u>2,481,740</u>	<u>2,042,502</u>
<b>Total assets</b>			

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March

		As at 31 March	
		2021	2020
	Notes	RMB'000	RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		356,696	93,907
Lease liabilities		34,177	27,351
Deferred income tax liabilities		84,037	67,405
Other payables and accruals		–	428,209
Provisions		23,770	29,367
		<u>          </u>	<u>          </u>
<b>Total non-current liabilities</b>		<b><u>498,680</u></b>	<b><u>646,239</u></b>
<b>Current liabilities</b>			
Trade and bills payables	11	169,623	151,981
Contract liabilities		8,325	9,195
Other payables and accruals		66,292	82,078
Borrowings		125,932	47,208
Lease liabilities		33,013	24,590
Provisions		28,946	31,584
		<u>          </u>	<u>          </u>
<b>Total current liabilities</b>		<b><u>432,131</u></b>	<b><u>346,636</u></b>
		<u>          </u>	<u>          </u>
<b>Total liabilities</b>		<b><u>930,811</u></b>	<b><u>992,875</u></b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		593,026	441,458
Reserves		539,690	276,307
Retained earnings		418,213	331,862
		<u>          </u>	<u>          </u>
<b>Total equity</b>		<b><u>1,550,929</u></b>	<b><u>1,049,627</u></b>
		<u>          </u>	<u>          </u>
<b>Total equity and liabilities</b>		<b><u>2,481,740</u></b>	<b><u>2,042,502</u></b>

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 March

	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 2019	441,458	—	243,605	28,372	(21)	267,588	981,002
Profit for the year	—	—	—	—	—	76,459	76,459
Other comprehensive income:							
— Currency translation difference	—	—	—	—	33	—	33
Total comprehensive income	—	—	—	—	33	76,459	76,492
Dividends (Note 12)	—	—	—	—	—	(7,867)	(7,867)
Statutory reserve	—	—	—	4,318	—	(4,318)	—
At 31 March 2020	<u>441,458</u>	<u>—</u>	<u>243,605</u>	<u>32,690</u>	<u>12</u>	<u>331,862</u>	<u>1,049,627</u>
At 1 April 2020	441,458	—	243,605	32,690	12	331,862	1,049,627
Profit for the year	—	—	—	—	—	101,235	101,235
Other comprehensive income:							
— Currency translation difference	—	—	—	—	(232)	—	(232)
Total comprehensive income	—	—	—	—	(232)	101,235	101,003
Dividends (Note 12)	—	—	—	—	—	(7,646)	(7,646)
Statutory reserve	—	—	—	7,238	—	(7,238)	—
Issue of shares	151,568	256,377	—	—	—	—	407,945
At 31 March 2021	<u>593,026</u>	<u>256,377</u>	<u>243,605</u>	<u>39,928</u>	<u>(220)</u>	<u>418,213</u>	<u>1,550,929</u>

## NOTES TO FINANCIAL STATEMENTS

### 1 Basis of preparation

The 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 consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

### 2 Changes in accounting policies and disclosure

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

The Group has applied the following standard and amendment for the first time for their annual financial period commencing 1 April 2020:

		<b>Effective for annual periods beginning on or after</b>
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020

This newly adopted standard did not have material impact on the Group's accounting policies and did not require retrospective adjustments.

- (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.**

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

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 consolidated financial statements.

### 3 Revenue

An analysis of revenue is as follows:

	Year ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Timing of revenue recognition — Over the time</b>		
One-stop tower crane solution services:		
— Operating Lease	418,410	434,774
— Hoisting Service	370,094	303,626
Dry lease	4,455	6,521
	<u>792,959</u>	<u>744,921</u>

### 4 Expenses by nature

	Year ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of property, plant and equipment and right-of-use assets	227,491	234,155
Labour subcontracting cost	209,898	174,406
Employee benefit expenses	80,958	73,714
Material fees	22,380	15,348
Travel expenses	19,940	18,151
Rental expenses	17,421	14,241
Listing expenses	11,809	15,611
Repair expenses	10,897	13,566
Commission expenses	7,025	1,251
Transportation expenses	6,691	8,249
Entertainment expenses	6,262	6,581
Office expenses	5,461	4,593
Amortisation of intangible assets	4,503	4,543
Professional fees	2,906	3,127
Auditor's remuneration	1,305	505
Others	15,257	17,974
	<u>650,204</u>	<u>606,015</u>

## 5 Other income

	Year ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Value-added tax refund	3,545	6,894
Government grants	1,518	696
Others	184	2,373
	<u>5,247</u>	<u>9,963</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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gains on financial assets at fair value through profit or loss	766	—
Exchange (losses)/gains, net	(1,702)	184
Gains on disposal of property, plant and equipment and right-of-use assets	372	280
	<u>(564)</u>	<u>464</u>

## 7 Finance costs and income

	Year ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Finance costs:		
Interest expenses on borrowings and loans from a related party	22,779	22,714
Interest expenses on lease liabilities	4,064	4,802
Net exchange (gains)/losses on foreign currency borrowings and loans from a related party	(12,876)	6,164
	<hr/>	<hr/>
Total finance costs	13,967	33,680
	<hr/>	<hr/>
Finance income:		
Interest income	(727)	(1,019)
	<hr/>	<hr/>
Finance costs — net	<u>13,240</u>	<u>32,661</u>

## 8 Income tax expense

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

	Year ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax on profits for the year	18,042	14,723
Deferred income tax	16,632	20,026
	<hr/>	<hr/>
Income tax expense	<u>34,674</u>	<u>34,749</u>

The Group's subsidiary in Singapore is subject to Singapore corporate income tax at a rate of 17% on estimated assessable profits.

The Group's subsidiaries in the PRC are subject to the PRC corporate income tax at a rate of 25% on estimated assessable profits.

Pursuant to the relevant laws and regulation in the PRC, in November 2018, the Group's subsidiary, China Nuclear Huaxing Tat Hong Machinery Construction Co., Ltd., was accredited as a high-tech enterprise, and was entitled to the preferential tax rate of 15% for three years effective from 2018.

According to the applicable the 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.

## 9 Earnings per share

- (a) 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 year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

	<b>Year ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit attributable to the ordinary equity holders of the Company	<u><b>101,235</b></u>	<u>76,459</u>
Weighted average number of ordinary shares in issue ('000)	<u><b>937,491</b></u>	<u>875,151</u>
Basic and diluted earnings per share (RMB)	<u><b>0.11</b></u>	<u>0.09</u>

- (b) The fully diluted earnings per share for the financial year is the same as the basic earnings per share as there is no dilutive potential share during the financial year.

## 10 Trade receivables and Contract assets

### (a) Trade receivables

	As at 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	460,123	368,592
Less: provision for impairment	<u>(5,695)</u>	<u>(6,717)</u>
	<u><b>454,428</b></u>	<u><b>361,875</b></u>

### (b) The Group has recognised the following assets related to contracts with customers:

	As at 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Contract assets</b>		
Non-current	33,003	23,010
Loss allowance	<u>(87)</u>	<u>(150)</u>
	<u><b>32,916</b></u>	<u><b>22,860</b></u>
Current	235,073	208,410
Loss allowance	<u>(804)</u>	<u>(1,435)</u>
	<u><b>234,269</b></u>	<u><b>206,975</b></u>
Total contract assets	<u><b>267,185</b></u>	<u><b>229,835</b></u>

(c) Credit risk of contract assets and trade receivables

	Within credit term RMB'000	Less than 180 days past due RMB'000	181 days to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
<b>31 March 2021</b>						
<b>Trade receivables</b>						
Gross carrying amount	96,531	203,899	75,201	58,850	25,642	460,123
Expected loss rate	(0.33%)	(0.71%)	(1.20%)	(1.63%)	(8.05%)	(1.24%)
Loss allowance	(318)	(1,448)	(905)	(959)	(2,065)	(5,695)
<b>Contract assets – current and non-current</b>						
Gross carrying amount	268,076	—	—	—	—	268,076
Expected loss rate	(0.33%)	—	—	—	—	(0.33%)
Loss allowance	(891)	—	—	—	—	(891)
	Within credit term RMB'000	Less than 180 days past due RMB'000	181 days to 365 days past due RMB'000	1 to 2 years past due RMB'000	More than 2 years past due RMB'000	Total RMB'000
<b>31 March 2020</b>						
<b>Trade receivables</b>						
Gross carrying amount	82,452	174,397	57,027	42,601	12,115	368,592
Expected loss rate	(0.88%)	(1.31%)	(1.43%)	(4.00%)	(9.87%)	(1.82%)
Loss allowance	(722)	(2,278)	(816)	(1,705)	(1,196)	(6,717)
<b>Contract assets – current and non-current</b>						
Gross carrying amount	231,420	—	—	—	—	231,420
Expected loss rate	(0.68%)	—	—	—	—	(0.68%)
Loss allowance	(1,585)	—	—	—	—	(1,585)

The carrying amounts of trade receivables and contract assets approximate their fair value as at the date of the consolidated statement of financial position.

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 2021, the Group pledged accounts receivables with carrying amount of approximately RMB20.0 million for the bank borrowings of the Group.

The majority of the Group's receivables are with credit term from 30 days to 90 days. At 31 March 2020 and 2021, the aging analysis of the trade receivables, based on due date, was as follows:

	<b>As at 31 March</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Accounts receivable		
Within credit term	<b>96,531</b>	82,452
Less than 180 days past due	<b>203,899</b>	174,397
181 days to 365 days past due	<b>75,201</b>	57,027
1 to 2 years past due	<b>58,850</b>	42,601
More than 2 years past due	<b>25,642</b>	12,115
	<b><u>460,123</u></b>	<u>368,592</u>

## 11 Trade and bills payables

	As at 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	132,815	128,979
Bills payable	<u>36,808</u>	<u>23,002</u>
	<u><b>169,623</b></u>	<u><b>151,981</b></u>

As at 31 March 2020 and 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 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	102,959	34,642
Between 3 months and 1 year	21,170	85,531
Between 1 year and 2 years	6,041	5,979
Between 2 years and 3 years	966	1,888
Between 3 years and 5 years	1,407	921
Over 5 years	<u>272</u>	<u>18</u>
	<u><b>132,815</b></u>	<u><b>128,979</b></u>

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

## 12 Dividends

Pursuant to the resolution of the shareholders' meeting held on 16 August 2019, dividends of RMB7,867,000 have been approved by the Company. All dividends have been paid in cash during the year ended 31 March 2020.

Pursuant to the resolution of the shareholders' meeting held on 24 September 2020, dividends of RMB7,646,000 have been approved by the Company. All dividends have been paid in cash during the year ended 31 March 2021.

	Year ended 31 March	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend payable at the beginning of the year	—	3,603
Declaration of dividends	<b>7,646</b>	7,867
Dividends paid	<b>(7,646)</b>	(11,470)
	<u>          </u>	<u>          </u>
Dividend payable at the end of the year	<u>          </u>	<u>          </u>

On 25 June 2021, the Board recommended a final dividend of approximately HKD35,006,000, representing HKD0.03 per share for the year ended 31 March 2021 to the shareholders whose names appear on the register of members of the Company on Friday 15 October 2021. Such dividend is to be approved by the shareholders at the forthcoming Annual General Meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

We are the first foreign-owned tower crane service provider established in the PRC. According to Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the tower crane service market in the PRC is extremely fragmented with the top five players only accounted for a market share of approximately 4% in terms of revenue in 2019 whereas we accounted for approximately 0.7%.

Since 2007, we have established ourselves as a tower crane service provider for one-stop tower crane solution services from consultation, technical design, commissioning, construction to after-sales services primarily to Chinese Special-tier and Tier-1 EPC contractors. We mainly engage in engineering, procurement and construction projects (“**EPC projects**”) in infrastructure, energy, commercial and residential sectors conducted by our customers.

As at the date of this announcement, we manage 1,090 tower cranes, which have been equipped to cater for our customers’ specialised range of EPC projects throughout the PRC. Guided by our core values, which are “Virtue (厚德), Safety (安全) and Excellence (卓越)”, we have successfully established our market position and maintained a stable, reputable and loyal customer base in the construction industry in the PRC.

We are well-recognised in the industry and have built a strong reputation in our awareness to workers’ safety, service quality and technical strength. We possess Class A Certificate for Erection, Modification and Maintenance of Special Type Equipment (特種設備安裝改造維修許可證(起重機械 A 級)) granted by the Jiangsu Quality and Technology Supervisory Bureau (江蘇省質量技術監督局) and Construction Enterprise Qualification Certificate (建築業企業資質證書) 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 44 registered patents for utility models and inventions relating to tower cranes.

### Operating Results

The Group recorded a net profit of approximately RMB101.2 million for the year ended 31 March 2021 representing an increase of approximately 32.4% as compared with the net profit of approximately RMB76.5 million for the year ended 31 March 2020.

## **Future Development**

Looking ahead, there are still uncertainties in the development of the COVID-19 pandemic and the process of economic recovery. The Company still has to pay attention to the non-synchronized economic recovery owing to the inconsistent progress of the COVID-19 vaccination in each country. The Group will also continue to keep a close track of the global economic trend and market situation in order to capture business opportunities and reduce operation risks for achieving better operating results of the Group. The management is optimistic on the long-term development prospects of the Group.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased to RMB793.0 million for the year ended 31 March 2021, representing a 6.4% increase from that for the year ended 31 March 2020, primarily due to the increase in the number of both self-owned and rented tower cranes, the majority of which had been working on-site and generating revenue. Our total tonne metre (TM) in use increased from 2,284,596 for the year ended 31 March 2020 to 2,491,629 for the year ended 31 March 2021.

### **Cost of Sales**

Our cost of sales increased by approximately 5.7% from RMB491.7 million for the year ended 31 March 2020 to RMB519.7 million for the year ended 31 March 2021. Such increase was primarily attributable to the increase in our labour subcontracting costs from approximately RMB174.4 million for the year ended 31 March 2020 to RMB209.9 million for the year ended 31 March 2021, primarily due to the increase in the average number of outsource labour from 2,579 for the year ended 31 March 2020 to 2,779 for the year ended 31 March 2021.

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

Our overall gross profit increased by approximately 7.9% from RMB253.2 million for the year ended 31 March 2020 to RMB273.3 million for the year ended 31 March 2021. Our overall gross profit margin increased from approximately 34.0% for the year ended 31 March 2020 to approximately 34.5% for the year ended 31 March 2021.

## **Other income**

Our other income for the year ended 31 March 2021 amounted to approximately RMB5.2 million, representing a decrease of approximately RMB4.8 million or 48.0% as compared to that of approximately RMB10.0 million for the year ended 31 March 2020. The other income mainly comprised of value-add tax refund and government grants. The decrease was primarily due to the decrease in value-added tax refund during the year ended 31 March 2021.

## **Listing expenses**

Our listing expenses decreased by approximately 24.4% from approximately RMB15.6 million for the year ended 31 March 2020 to approximately RMB11.8 million for the year ended 31 March 2021. This is due to the remaining listing expenses for the year ended 31 March 2021 was less than that for the year ended 31 March 2020.

## **Research and development expenses**

Our research and development expenses increased from approximately RMB9.9 million for the year ended 31 March 2020 to approximately RMB24.3 million for the year ended 31 March 2021. This was due to the increase in development work on patents, and it could generate probable future economic benefit.

## **Selling and distribution expenses**

Our selling and distribution expenses increased by approximately 49.2% from approximately RMB12.6 million for the year ended 31 March 2020 to approximately RMB18.8 million for the year ended 31 March 2021. Such increase was primarily due to the increase in commission expenses to expand new market.

## **General and administrative expenses**

Our general and administrative expenses for the year ended 31 March 2021 amounted to approximately RMB87.4 million, representing a decrease of approximately RMB4.4 million or 4.8% as compared to that of approximately RMB91.8 million for the year ended 31 March 2020. The general and administrative expenses mainly comprised of professional expenses, salaries costs and depreciation expenses. The decrease was mainly due to the decrease in listing expenses and depreciation expenses.

## **Finance costs**

Our finance costs for the year ended 31 March 2021 amounted to approximately RMB14.0 million, representing a decrease of approximately RMB19.7 million or 58.5% as compared to that of approximately RMB33.7 million for the year ended 31 March 2020. The decrease was primarily due to the recognition of RMB13.0 million net exchange gains which arose from foreign currency borrowings for the year ended 31 March 2021 as compared to RMB6.0 million net exchange losses which incurred from foreign currency borrowings for the year ended 31 March 2020.

## **Taxation**

Our income tax expense for the year ended 31 March 2021 amounted to approximately RMB34.7 million, representing a decrease of approximately RMB0.08 million or 0.2% as compared to that of approximately RMB34.8 million for the year ended 31 March 2020. Such decrease was due to the decrease of withholding tax.

## **Profit for the year**

As a result of the foregoing, our profit for the year increased by approximately 32.4% from approximately RMB76.5 million for the year ended 31 March 2020 to approximately RMB101.2 million for the year ended 31 March 2021.

## **Working capital structure**

The Group's net current assets amounted to RMB708.9 million as at 31 March 2021, representing an increase of RMB384.6 million from 31 March 2020. Such increase was primarily the result of an increase in cash and financial assets, which is mainly due to the receipt of proceeds from the Global Offering conducted in January 2021 and the collection of accounts receivable.

## **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 2021, the cash and cash equivalents plus financial assets at fair value through profit or loss were RMB350.3 million, representing an increase of RMB305.9 million when compared with those for the year ended 31 March 2020.

The Group's current ratio was 2.64 times as at 31 March 2021, compared to that of 2.11 times as at 31 March 2020. The increase in current ratio was mainly attributable to increase in cash and cash equivalents and financial assets at fair value through profit or loss.

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 35.5% as at 31 March 2021 compared to that of 59.2% as at 31 March 2020.

### **Pledge of assets**

As at 31 March 2021, the Group pledged machineries with carrying amount of approximately RMB976.6 million for the lease liabilities and bank borrowings of the Group to secure banking facilities granted to the Group.

### **Lease Liabilities**

The lease liabilities increased by 29.4% from approximately RMB51.9 million as at 31 March 2020 to approximately RMB67.2 million as at 31 March 2021. This is mainly due to the increase of right-of-use assets.

### **CAPITAL COMMITMENT**

As at 31 March 2021, the contracted but not delivered property, plant and equipment was RMB0.4 million, representing a decrease of RMB8.2 million from that as at 31 March 2020.

### **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 year ended 31 March 2021.

## USE OF PROCEEDS FROM THE LISTING

On 13 January 2021, the shares of the Company were listed on the Main Board of the Stock Exchange. The shares were issued to the public at HKD1.73 per share, and the Group received net proceeds of approximately HKD485.5 million from the global offering of its shares (the “**Global Offering**”) after deducting of the underwriting fees and commissions and other expenses payables by the Group in connection with the Global Offering. Up to the date of this announcement, the amount of net proceeds which remain unutilised amounted to approximately HKD383.1 million. Set out below are details of the planned allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as of the date of this announcement:

Usage	%	Planned allocation of the net proceeds HKD'000	Utilised net proceeds up to 31 March 2021 HKD'000	Unutilised net proceeds as at 31 March 2021 HKD'000	Expected timeline of full utilization of the balance
purchase tower cranes	63.0%	305,865	5,097	300,768	31 March 2023
purchase equipment and to conduct foundation work for our Yangzhou Refurbishment Centre	5.3%	25,732	4,806	20,926	31 March 2023
hire additional personnel equipped with special skills to improve our service capacity and competitiveness	3.2%	15,536	—	15,536	31 March 2023
repay part of our bank borrowings	18.5%	89,817	89,478	339	30 June 2021
working capital and other general corporate purposes	10%	48,550	3,058	45,492	31 March 2023
	<u>100%</u>	<u>485,500</u>	<u>102,439</u>	<u>383,061</u>	

As at the date of this announcement, the Group does not anticipate any change to the plan as to the use of listing proceeds as set out in the prospectus of the Company dated 30 December 2020 save for the delay of purchasing equipment and conducting foundation work for our Yangzhou Refurbishment Centre due to a delay in preparation for tender.

## **DIVIDEND**

The Board recommended a final dividend (the “**Final Dividend**”) of HKD0.03 per share, amounting to a total dividend of approximately HKD35,006,000 for the year ended 31 March 2021. The Final Dividend is still subject to approval by the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company to be convened and held on Wednesday, 29 September 2021 (the “**2021 AGM**”), and is expected to be paid on or around Friday, 5 November 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 15 October 2021. These consolidated financial statements do not reflect this dividend proposed.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 March 2021, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 March 2021, the Group employed around 1,081 employees who include the directors of the Company and those of subsidiaries (2020: 700). The total staff costs for the year ended 31 March 2021 was RMB80.9 million, an increase of 9.8% when compared with that for the year ended 31 March 2020. The increase is in line with the increase in the number of employees and salary increment and due to the expansion of the Company and the increase of wages.

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.

## **IMPACT OF THE COVID-19 OUTBREAK**

Despite the outbreak of the COVID-19 pandemic since early 2020, which invariably has affected our business operations during the year ended 31 March 2021, we are delighted to have achieved satisfactory results 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.

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement, there was no significant subsequent event took place.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. The Board has reviewed the corporate governance practices of the Company and is of the view that the Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since the date of listing to 31 March 2021 and up to the date of this announcement.

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

Since the date of listing and up to 31 March 2021, 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 10 to the Listing Rules. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code from the date of listing to 31 March 2021 and up to the date of this announcement and no incident of non-compliance by the Directors has been noted by the Company since the date of listing and up to 31 March 2021.

## **2021 AGM**

The 2021 AGM of the Company will be held at Room 601, Building 8, PortMix, No. 2377, Shenkun Road, Minghang District, Shanghai, the PRC on Wednesday, 29 September 2021. The notice of the 2021 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**

The 2021 AGM of the Company has been scheduled to be held on Wednesday, 29 September 2021. For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2021 AGM, 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 Thursday, 23 September 2021.

For the purpose of determining the identity of the Shareholders who are entitled to receive the Final Dividend, the register of members of the Company will be closed from Wednesday, 13 October 2021 to Friday, 15 October 2021 (both days inclusive). In order to be eligible to receive the Final 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 Tuesday, 12 October 2021.

## **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 2021, and the accounting principles and practices adopted by the Group, and discussed internal controls and risk management system and financial reporting matters, and has given their opinion and recommendations to the Board on 25 June 2021. 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 PRICEWATERHOUSECOOPERS**

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 March 2021 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2021. The work performed by PricewaterhouseCoopers 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 assurance has been expressed by PricewaterhouseCoopers 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](http://www.hkexnews.hk)) and on the website of the Company ([www.tathongchina.com](http://www.tathongchina.com)). The annual report of the Company for the year ended 31 March 2021 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.**  
**Ng San Tiong**  
*Chairman and Non-executive Director*

Hong Kong/the PRC, 25 June 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.*