

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

Tat Hong Equipment Service Co., Ltd.

達豐設備服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2153)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

Revenue of the Group for the year ended 31 March 2022 amounted to RMB867.0 million, representing an increase of RMB74.1 million or 9.3% from the year ended 31 March 2021.

Profit attributable to equity holders of the Company for the year ended 31 March 2022 amounted to RMB 47.6 million, representing a decrease of RMB53.6 million or 52.9% from the year ended 31 March 2021. The decrease was primarily due to the impact of the non-cash adjustment on the value of the shares awarded to the top management of the Group in March 2022 under the share award scheme contributed by the shares of the Company owned by the controlling shareholders of the Company.

Basic and diluted earnings per share for the year ended 31 March 2022 amounted to RMB4 cents, representing a decrease of RMB7 cents when compared with the basic earnings per share of RMB11 cents for the year ended 31 March 2021.

The Board proposed a final dividend of HKD1.6 cents per share for the year ended 31 March 2022.

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 2022, together with comparative figures for the year ended 31 March 2021 as set out below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 March	
		2022	2021
		RMB'000	RMB'000
Revenue	2	867,020	792,959
Cost of sales	3	(632,881)	(519,676)
Gross profit		234,139	273,283
Selling and distribution expenses	3	(17,526)	(18,794)
General and administrative expenses	3	(129,169)	(87,397)
Research and development expenses	3	(25,433)	(24,337)
(Provision for)/reversal of financial assets and contract assets		(6,592)	1,711
Other income	4	14,677	5,247
Other losses, net	5	(3,991)	(564)
Operating profit		66,105	149,149
Finance costs	6	(21,096)	(13,967)
Finance income	6	861	727
Profit before income tax		45,870	135,909
Income tax credit/(expense)	7	1,765	(34,674)
Profit for the year		<u>47,635</u>	<u>101,235</u>
Profit for the year attributable to:			
Owners of the Company		<u>47,635</u>	<u>101,235</u>
Other comprehensive income, net of tax			
<i>Item that may be reclassified to profit or loss:</i>			
Currency translation difference		241	(232)
Other comprehensive income for the year, net of tax		241	(232)
Total comprehensive income for the year, net of tax		<u>47,876</u>	<u>101,003</u>
Basic and diluted earnings per share	8	<u>0.04</u>	<u>0.11</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 31 March	
		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		1,560,462	1,136,550
Right-of-use assets		81,185	94,401
Intangible assets		25,569	30,034
Contract assets	9	27,296	32,916
Other non-current assets		31,528	46,818
		1,726,040	1,340,719
Total non-current assets			
Current assets			
Inventories		33,813	21,022
Contract assets	9	285,144	234,269
Trade receivables	9	582,184	454,428
Prepayments and other receivables		96,232	66,913
Financial assets at fair value through other comprehensive income		25,363	14,058
Financial assets at fair value through profit or loss		—	200,816
Cash and cash equivalents		169,858	149,515
		1,192,594	1,141,021
Total current assets			
		2,918,634	2,481,740
Total assets			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Note</i>	As at 31 March	
		2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings		474,873	356,696
Lease liabilities		34,375	34,177
Deferred income tax liabilities		70,706	84,037
Provisions		28,144	23,770
		<hr/>	<hr/>
Total non-current liabilities		608,098	498,680
		<hr/> <hr/>	<hr/> <hr/>
Current liabilities			
Trade and bills payables	10	431,444	169,623
Contract liabilities	9	15,060	8,325
Other payables and accruals		68,315	66,292
Borrowings		167,093	125,932
Lease liabilities		24,353	33,013
Provisions		34,438	28,946
		<hr/>	<hr/>
Total current liabilities		740,703	432,131
		<hr/> <hr/>	<hr/> <hr/>
Total liabilities		1,348,801	930,811
		<hr/> <hr/>	<hr/> <hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		593,026	593,026
Reserves		520,845	539,690
Retained earnings		455,962	418,213
		<hr/>	<hr/>
Total equity		1,569,833	1,550,929
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		2,918,634	2,481,740
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
At 1 April 2020	441,458	—	243,605	32,690	12	331,862	1,049,627
Profit for the year	—	—	—	—	—	101,235	101,235
Other comprehensive income:							
— Currency translation difference	—	—	—	—	(232)	—	(232)
Total comprehensive income	—	—	—	—	(232)	101,235	101,003
Dividends (<i>Note 11</i>)	—	—	—	—	—	(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>
At 1 April 2021	593,026	256,377	243,605	39,928	(220)	418,213	1,550,929
Profit for the year	—	—	—	—	—	47,635	47,635
Other comprehensive income:							
— Currency translation difference	—	—	—	—	241	—	241
Total comprehensive income	—	—	—	—	241	47,635	47,876
Dividends (<i>Note 11</i>)	—	(58,024)	—	—	—	—	(58,024)
Share award scheme — value of employee services (<i>Note 12</i>)	—	—	—	—	29,052	—	29,052
Statutory reserve	—	—	—	9,886	—	(9,886)	—
At 31 March 2022	<u>593,026</u>	<u>198,353</u>	<u>243,605</u>	<u>49,814</u>	<u>29,073</u>	<u>455,962</u>	<u>1,569,833</u>

NOTES TO THE CONSOLIDATED 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 which are measured at fair value.

(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 2021:

		Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform	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
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022

This newly adopted standards 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 2022 and have not been early adopted by the Group.**

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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.

2 Revenue

An analysis of revenue is as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Timing of revenue recognition		
— Over the time		
One-stop tower crane solution services:		
— Operating Lease	396,262	418,410
— Hoisting Service	466,097	370,094
Dry lease	4,661	4,455
	<u>867,020</u>	<u>792,959</u>

3 Expenses by nature

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Depreciation of property, plant and equipment and right-of-use assets	263,829	227,491
Labour subcontracting cost	266,364	209,898
Employee benefit expenses	107,998	80,958
Share award schemes (<i>Note 12</i>)	29,052	—
Rental expenses	28,537	17,421
Material fees	19,583	22,380
Travel expenses	18,406	19,940
Repair expenses	16,114	10,897
Commission expenses	9,458	7,025
Professional fees	6,858	2,906
Entertainment expenses	6,734	6,262
Transportation expenses	6,498	6,691
Office expenses	4,652	5,461
Amortisation of intangible assets	4,465	4,503
Auditor's remuneration	3,072	1,305
Listing expenses	—	11,809
Others	13,389	15,257
	<u>805,009</u>	<u>650,204</u>

4 Other income

	Year ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Value-added tax refund	6,330	3,545
Government grants	7,984	1,518
Others	363	184
	<u>14,677</u>	<u>5,247</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.

5 Other losses, net

	Year ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Fair value gains on financial assets at fair value through profit or loss	1,237	766
Exchange losses	(456)	(1,702)
(Losses)/gains on disposal of property, plant and equipment and right-of-use assets	<u>(4,772)</u>	<u>372</u>
	<u>(3,991)</u>	<u>(564)</u>

6 Finance costs and income

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Finance costs:		
Interest expenses on borrowings and loans from a related party	23,274	22,779
Interest expenses on lease liabilities	2,824	4,064
Net exchange gains on foreign currency borrowings and loans from a related party	(5,002)	(12,876)
Total finance costs	<u>21,096</u>	<u>13,967</u>
Finance income:		
Interest income	<u>(861)</u>	<u>(727)</u>
Finance costs — net	<u><u>20,235</u></u>	<u><u>13,240</u></u>

7 Income tax (credit)/expense

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

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Current tax on profits for the year	11,566	18,042
Deferred income tax	<u>(13,331)</u>	<u>16,632</u>
Income tax (credit)/expense	<u><u>(1,765)</u></u>	<u><u>34,674</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 profit before taxation can be reconciled as follows:

	Year ended 31 March	
	2022	2021
	RMB'000	RMB'000
Profit before taxation	<u>45,870</u>	<u>135,909</u>
Tax calculated at tax rates applicable to profits of the respective subsidiaries	12,270	31,935
Expenses not deductible for tax purposes	3,094	899
Temporary difference for which no deferred tax asset was recognised	(5)	357
Tax losses for which no deferred tax asset was recognised	2,989	2,864
Effect from changes in tax rate	(16,914)	—
Utilisation of the tax losses unrecognised previously	(854)	(147)
Super deductions from research and development expenditures	(2,345)	(2,154)
Withholding tax	—	920
Income tax (credit)/expense	<u>(1,765)</u>	<u>34,674</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.

8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of shares in issue 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. 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.

	Year ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to the ordinary equity holders of the Company	<u>47,635</u>	<u>101,235</u>
Weighted average number of ordinary shares in issue (<i>'000</i>)	1,166,871	937,491
Basic and diluted earnings per share (<i>RMB</i>)	<u>0.04</u>	<u>0.11</u>

9 Contract assets, contract liabilities and trade receivables

- (a) The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Contract assets		
Non-current	27,408	33,003
Loss allowance	(112)	(87)
	<u>27,296</u>	<u>32,916</u>
Current	286,319	235,073
Loss allowance	(1,175)	(804)
	<u>285,144</u>	<u>234,269</u>
Total contract assets	<u>312,440</u>	<u>267,185</u>
Contract liabilities		
— Advances from equipments	11,521	1,166
— Advances from operating lease	3,539	7,159
	<u>15,060</u>	<u>8,325</u>

- (b) Trade receivables

	As at 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts receivable	594,066	460,123
Less: provision for impairment	(11,882)	(5,695)
	<u>582,184</u>	<u>454,428</u>

The majority of the Group's receivables are with credit term from 30 days to 90 days. At 31 March 2021 and 2022, the aging analysis of the trade receivables, based on due date, was as follows:

	As at 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within credit term	138,083	96,531
Less than 180 days past due	224,863	203,899
181 days to 365 days past due	89,272	75,201
1 to 2 years past due	98,000	58,850
More than 2 years past due	43,848	25,642
	<u>594,066</u>	<u>460,123</u>

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

As at 31 March 2022 and at 31 March 2021, the Group pledged accounts receivable with carrying amount of approximately RMB20,337,000 (2021: RMB20,000,000) for the bank borrowings of the Group.

The Group's trade receivables were denominated in RMB.

(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
31 March 2022						
Trade receivables						
Gross carrying amount	138,083	224,863	89,272	98,000	43,848	594,066
Expected loss rate	(0.40%)	(1.22%)	(1.96%)	(2.13%)	(10.81%)	(2.00%)
Loss allowance	(557)	(2,749)	(1,748)	(2,088)	(4,740)	(11,882)
Contract assets						
– current and non-current						
Gross carrying amount	313,727	—	—	—	—	313,727
Expected loss rate	(0.40%)	—	—	—	—	(0.40%)
Loss allowance	(1,287)	—	—	—	—	(1,287)
31 March 2021						
Trade receivables						
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)
Contract assets						
– current and non-current						
Gross carrying amount	268,076	—	—	—	—	268,076
Expected loss rate	(0.33%)	—	—	—	—	(0.33%)
Loss allowance	(891)	—	—	—	—	(891)

10 Trade and bills payables

	As at 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Accounts payable	393,409	132,815
Bills payable	38,035	36,808
	<u> </u>	<u> </u>
	<u>431,444</u>	<u>169,623</u>

As at 31 March 2021 and 2022, 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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	115,836	102,959
Between 3 months and 1 year	267,747	21,170
Between 1 year and 2 years	5,334	6,041
Between 2 years and 3 years	2,429	966
Between 3 years and 5 years	1,717	1,407
Over 5 years	346	272
	<u> </u>	<u> </u>
	<u>393,409</u>	<u>132,815</u>

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

11 Dividends

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

Pursuant to the resolution of the shareholders' meeting held on 29 September 2021, dividends of RMB28,937,000 were approved by the Company to its shareholders. All dividend has been paid in cash during the year ended 31 March 2022.

Pursuant to the Board of Directors' resolution dated 26 November 2021, dividends of RMB29,087,000 were approved by the Company to its shareholders. All dividend has been paid in cash on 8 April 2022.

	Year ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Dividend payable at the beginning of the year	—	—
Declaration of dividends	58,024	7,646
Dividends paid	(28,937)	(7,646)
	<hr/>	<hr/>
Dividend payable at the end of the year	<u>29,087</u>	<u>—</u>

On 29 June 2022, the board of directors recommended a final dividend in respect of the year ended 31 March 2022 of HKD18,669,940, representing HKD0.016 per share. Such dividend is to be approved by the shareholders at the Annual General Meeting of the Company. These consolidated financial statements do not reflect this dividend payable.

12 Share-based payments

Share Award Schemes

Pursuant to the directors' resolution dated on 25 March 2022 of TH Straits 2015 Pte. Ltd. (“**TH15**”), one of the shareholders of the Company, an aggregate of 30,664,491 shares of the Company's existing ordinary shares held by TH15 have been awarded to senior managements of the Group for no cash consideration.

The shares are recognised at the closing share price on the grant date as part of employee benefit costs during the year the shares are granted.

Total expenses arising from share-based payment transactions recognised during the year ended 31 March 2022 as part of employee benefit expense were RMB29,052,000.

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”). Since 2007, we have established ourselves as a tower crane service provider for one-stop tower crane solution services which cover 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 year ended 31 March 2022, the Group expanded its business by purchasing additional tower cranes and relevant ancillary parts and components to meet the increasing customers' demand. As at the date of this announcement, we managed a total of 1,180 tower cranes, which have been equipped to cater for our customers' specialised range of EPC projects throughout the PRC. The Group is committed to continually improve the operational and management efficiency through its digital platform “iSmartCon”, a smartphone application for managing contract compliance and safety, equipment maintenance, equipment allocation, equipment selection, supporting services and data analysis.

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 a 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 a Construction Enterprise Qualification Certificate (建築業企業資質證書) and was awarded the 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 77 registered patents for utility models and inventions relating to tower cranes.

OPERATING RESULTS

The Group recorded a net profit of approximately RMB47.6 million for the year ended 31 March 2022 representing a decrease of approximately 52.9% as compared with the net profit of approximately RMB101.2 million for the year ended 31 March 2021.

FUTURE DEVELOPMENT

Although vaccination rates began to increase in various countries and major economies (which include PRC) began to recover and economic activities are gradually normalizing due to the prevention and control of the pandemic, the global public health, economy and employment are still adversely affected by the COVID-19 pandemic. With the continued occurrence of the COVID-19 pandemic situation across the world, the global market still faces many uncertainties under the COVID-19 pandemic.

Going forward, the Group, in conjunction with the effective implementation of the PRC prevention and control policies, will continue to pay attention to the situation of the COVID-19 pandemic to ensure the safety of the employees and to mitigate its negative impact on the financial position and operating results of the Group. The Group will also continue to keep a close watch on the global economic trend and market situations to capture business opportunities and lower operation risks, and in turn achieve better operating results. Looking ahead, we aim to focus on medium and large size tower cranes to meet the growing needs for prefabricated construction, and to establish a standardized post market service eco-system for tower cranes so as to provide a sustainable foundation for a green, safe and environmental friendly tower crane service industry value chain.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to RMB867.0 million for the year ended 31 March 2022, representing a 9.3% increase from that for the year ended 31 March 2021, primarily due to the increase in the number of 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 2,491,629 for the year ended 31 March 2021 to 3,112,084 for the year ended 31 March 2022.

Cost of Sales

Our cost of sales increased by approximately 21.8% from RMB519.7 million for the year ended 31 March 2021 to RMB632.9 million for the year ended 31 March 2022. Such increase was primarily attributable to (i) the increase in our labour subcontracting costs from approximately RMB209.9 million for the year ended 31 March 2021 to RMB266.4 million for the year ended 31 March 2022, primarily due to the increase in the average number of outsource labour from 2,779 for the year end 31 March 2021 to 3,290 for the year ended 31 March 2022, and (ii) the increase in the depreciation of property, plant and equipment due to the increasing number of self-owned tower cranes. Our self-owned number of tower cranes increased from 877 for the year ended 31 March 2021 to 1,037 for the year ended 31 March 2022.

Gross Profit and Gross Profit Margin

Our overall gross profit decreased by approximately 14.3% from RMB273.3 million for the year ended 31 March 2021 to RMB234.1 million for the year ended 31 March 2022. Our overall gross profit margin decreased from approximately 34.5% for the year ended 31 March 2021 to approximately 27.0% for the year ended 31 March 2022. The decrease was primarily due to the combined effects of the abovementioned.

Other income

Our other income for the year ended 31 March 2022 amounted to approximately RMB14.7 million, representing an increase of approximately RMB9.4 million or 179.7% as compared to that of approximately RMB5.2 million for the year ended 31 March 2021. The other income mainly comprised of value-add tax refund and government grants. The increase was primarily due to the receipt of a subsidy amounting to RMB1.0 million for the listing on the The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) from the Minhang District Economic Commission, PRC and the receipt of financial incentives amounting to RMB5.8 million from Jintan Economic Zone, Jiangsu Province, PRC.

Research and development expenses

Our research and development expenses increased from approximately RMB24.3 million for the year ended 31 March 2021 to approximately RMB25.4 million for the year ended 31 March 2022. This was mainly due to the increase in development work on patents, which could generate probable future economic benefit.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately 6.7% from approximately RMB18.8 million for the year ended 31 March 2021 to approximately RMB17.5 million for the year ended 31 March 2022. Such decrease was primarily due to the decrease in travel expenses.

General and administrative expenses

Our general and administrative expenses for the year ended 31 March 2022 amounted to approximately RMB129.2 million, representing an increase of approximately RMB41.8 million or 47.8% as compared to that of approximately RMB87.4 million for the year ended 31 March 2021. The general and administrative expenses mainly comprised of share award schemes, professional expenses, salaries costs and depreciation expenses. Such increase was primarily attributable to the offering of share award schemes by the controlling shareholder of Company to the top management amounting to approximately RMB29.1 million in March 2022 and the absence of one-off waiver in Social Security payments as part of COVID-19 pandemic measures during the year ended 31 March 2022.

Finance costs

Our finance costs for the year ended 31 March 2022 amounted to approximately RMB21.1 million, representing an increase of approximately RMB7.1 million or 51.0% as compared to that of approximately RMB14.0 million for the year ended 31 March 2021. The increase was primarily due to recognition of the RMB5.0 million net exchange gains which arose from foreign currency borrowings for the year ended 31 March 2022 as compared to the RMB12.9 million net exchange gains which arose from foreign currency borrowings for the year ended 31 March 2021.

Income Tax Expenses

Our income tax credit for the year ended 31 March 2022 amounted to approximately RMB1.8 million, as compared to income tax expense of approximately RMB34.7 million for the year ended 31 March 2021. Such decrease was primarily due to the decrease in operating profits and adjustment of deferred tax liabilities as subsidiary Zhongjian Tat Hong had been notified on its success in the high-tech certification qualification for the year ended 31 March 2022.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately 52.9% from approximately RMB101.2 million for the year ended 31 March 2021 to approximately RMB47.6 million for the year ended 31 March 2022. The decrease was primarily due to the combined effects of the above mentioned.

Working capital structure

The Group's net current assets amounted to RMB451.9 million as at 31 March 2022, representing a decrease of RMB257.0 million from 31 March 2021, which was mainly due to the increase in trade payables.

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 2022, the cash and cash equivalents plus financial assets at fair value through profit or loss were RMB169.9 million, representing a decreased of RMB180.5 million when compared with those for the year ended 31 March 2021.

The Group's current ratio was 1.61 times as at 31 March 2022, compared to that of 2.64 times as at 31 March 2021. The decrease in current ratio was mainly attributable to the increase in trade payables as aforementioned.

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 44.6% as at 31 March 2022 compared to that of 35.5% as at 31 March 2021.

Pledge of assets

As at 31 March 2022, the Group pledged machineries with carrying amount of approximately RMB689.2 million for the lease liabilities and bank borrowings of the Group to secure banking facilities granted to the Group.

As at 31 March 2022, the land-use rights with carrying value of approximately RMB12.8 million (2021: nil) were secured for the bank borrowings of the Group.

Lease Liabilities

The lease liabilities decreased by 12.6% from approximately RMB67.2 million as at 31 March 2021 to approximately RMB58.7 million as at 31 March 2022. This is mainly due to the decrease in right-of-use assets. The decrease in right-of-use assets was mainly attributable to the decrease of rental equipment from outside of the Group.

CAPITAL COMMITMENT

As at 31 March 2022, the contracted but not delivered equipment was RMB14.3 million, representing an increase of RMB13.9 million from that as at 31 March 2021.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK MANAGEMENT

The Group mainly operates in the PRC with RMB as the functional currency. The Board is of the view that the Group's foreign exchange rate risks are insignificant. Thus, the Group has not entered into any derivative contracts to hedge against the foreign exchange rate risk during the year ended 31 March 2022.

SIGNIFICANT INVESTMENT HELD

Save for the short-term fixed deposits (balance as at 31 March 2021: approximately RMB200.8 million) which had matured on 10 May 2021 and 6 August 2021, the Group did not hold any significant investment during the year ended 31 March 2022.

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 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 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. Up to 31 March 2022, the amount of net proceeds which remain unutilised amounted to approximately HKD149.0 million. Set out below are details of the planned allocation of the net proceeds, the utilised and unutilised amount of the net proceeds as of the date of this announcement:

Usage	%	Planned allocation of the net proceeds HKD'000	Utilised net proceeds up to 31 March 2022 HKD'000	Unutilised net proceeds as at 31 March 2022 HKD'000	Expected timeline of full utilization of the balance
Purchase tower cranes	63.0%	305,865	202,991	102,874	31 March 2023
Purchase equipment and to conduct foundation work for our Yangzhou Refurbishment Centre	5.3%	25,732	20,705	5,027	31 March 2023
Hire additional personnel equipped with special skills to improve our service capacity and competitiveness	3.2%	15,536	8,203	7,333	31 March 2023
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	14,757	33,793	31 March 2023
	<u>100%</u>	<u>485,500</u>	<u>336,473</u>	<u>149,027</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.

DIVIDEND

The Board recommended a final dividend (the “**Final Dividend**”) of HKD1.6 cents per share (HKD0.03 per share for the year ended 31 March 2021), amounting to a total dividend of approximately HKD18,669,940 for the year ended 31 March 2022 (approximately HKD35,006,000 for the year ended 31 March 2021). The Final Dividend is 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, 28 September 2022 (the “**2022 AGM**”), and is expected to be paid on or around Friday, 4 November 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 14 October 2022. These consolidated financial statements do not reflect this dividend proposed.

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

During the year ended 31 March 2022, the Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. As at 31 March 2022, the Group did not have any immediate plans for material investments and capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2022, the Group employed around 1,207 employees who include the Directors of the Company and those of subsidiaries (2021: 1,081 employees). The total employee benefit expenses for the year ended 31 March 2022 was RMB108.0 million, an increase of 33.4% when compared with that for the year ended 31 March 2021. Such increase was mainly attributable to the increase in the number of employees and salary increment due to the expansion of the Company.

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.

IMPACT OF THE COVID-19 OUTBREAK

The outbreak of the COVID-19 pandemic since early 2020 and the continued recurrence across the PRC, have invariably adversely affected our business operations in the year ended 31 March 2022. However, our revenue continues to increase due to our high quality services, trust of our customers, our digital management platform and our refurbishment center. We have slowed down our procurement of new equipment so as to maintain sufficient cashflow to cope with market uncertainties caused by the COVID-19 pandemic.

EVENTS AFTER THE REPORTING PERIOD

On 13 April 2022, Jiangsu Hengxingmao, an indirect wholly-owned subsidiary of the Company, entered into purchase agreements with Zoomlion Heavy Industry Science and Technology Co., Ltd (“**Zoomlion**”) for the purchase of machines at a price of approximately RMB52.2 million (equivalent to approximately HKD64.2 million).

Taking into account the Group's series of purchases of machines of a similar nature as the aforesaid purchases that had been completed within a 12-month period before the date of the purchase agreements with Zoomlion, as the highest applicable percentage ratio as defined in the Rules Governing the Listing of Securities of the Stock Exchange (the “**Listing Rules**”) of the aforesaid purchases with Zoomlion, in aggregate with previous purchases as required under Rule 14.22 of the Listing Rules, exceeds 5% but is less than 25%, the aforesaid purchases constitute a discloseable transaction of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirements under Chapter 14 of the Listing Rules. Please refer to the announcement dated 13 April 2022 published by the Company for details of the discloseable transaction.

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 Listing Rules during the year ended 31 March 2022.

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

During the year ended 31 March 2022 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 10 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 2022.

2022 AGM

The 2022 AGM of the Company will be held at Room 601, Building 8, PortMix, No. 2377, Shenkun Road Minhang District, Shanghai, the PRC on Wednesday, 28 September 2022. The notice of the 2022 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 2022 AGM, the register of members of the Company will be closed from Friday, 23 September 2022 to Wednesday, 28 September 2022 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2022 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 (if the transfer accompanied by relevant share certificates will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer accompanied by relevant share certificates will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Thursday, 22 September 2022.

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, 12 October 2022 to Friday, 14 October 2022 (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 (if the transfer accompanied by relevant share certificates will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (if the transfer accompanied by relevant share certificates will be lodged on or after 15 August 2022) for registration not later than 4:30 p.m. on Tuesday, 11 October 2022.

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 2022, 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 29 June 2022. 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, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2022 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 2022. 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) and on the website of the Company (www.tathongchina.com). The annual report of the Company for the year ended 31 March 2022 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

Hong Kong/the PRC, 29 June 2022

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.