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Tat Hong Reports Revenue of S$118.3 Million for 1QFY2018

(S$'000) *For the first quarter ended 30 June*	**1QFY2018**	**1QFY2017**	**% Change**
Revenue	**118,329**	116,732	+1
Gross profit	**30,388**	34,919	-13
Loss before Tax	**(3,287)**	(3,787)	-13
Loss Attributable to Shareholders	**(5,086)**	(3,578)	+42

SINGAPORE, 14 August 2017 – Tat Hong Holdings Ltd ("**Tat Hong**" or the "**Group**"), Asia-Pacific's largest crane-owning company in terms of aggregate tonnage owned[1], today reported an improvement in its revenue for the first quarter ended 30 June 2017 ("**1QFY2018**") to S$118.3 million from S$116.7 million recorded in the same quarter a year ago ("**1QFY2017**"). The increase in revenue came on the back of improved performance from all business segments with the exception of the Crane Rental division.

Gross profit for the quarter under review, however, posted a 13% decline to S$30.4 million compared with S$34.9 million a year ago mainly due to weaker margins in the Crane Rental and Tower Crane Rental divisions. These were partially compensated by better margins from the General Equipment Rental division from better utilisation rates and cost savings following an intensive rationalisation programme which started in FY2016 as well as better margins from the Distribution division in Australia.

The Group's other operating income fell 22% to S$3.7 million attributable primarily to lower government grants received compared with the previous corresponding quarter.

Source: [1]International Cranes, IC50 Ranking, 2017

A net foreign exchange gain compared with a net foreign exchange loss a year ago coupled with stable costs resulted in a 15% decline in total operating expenses to S$32.7 million in 1QFY2018 compared with S$38.3 million in 1QFY2017.

Finance charges in 1QFY2018 remained comparable to 1QFY2017 at S$5.4 million as interest savings from the repayment of S$38.5 million in loans and finance lease obligations were eroded by higher interest rates.

Share of profits from the Group's associated companies and joint ventures rose to S$0.7 million in 1QFY2018 from S$0.3 million a year ago.

The Group's pre-tax loss narrowed to S$3.3 million in 1QFY2018 from a pre-tax loss of S$3.8 million in the previous corresponding quarter as lower operating expenses and better contributions from associated companies and joint ventures compensated for lower gross profit and other operating income.

Income tax expense of S$1.0 million brought net loss attributable to shareholders to S$5.1 million in 1QFY2018 compared with a net loss of S$3.6 million in 1QFY2017 which had recorded a net tax credit of S$1.0 million primarily for tax benefits recognised in China and Australia.

As at 30 June 2017, the Group's net gearing was 0.55 times, down from 0.57 times as at 31 March 2017. The Group's cash and cash equivalents stood at S$116.7 million (including bank balances earmarked for certain banking facilities), up from S$114.3 million as at 31 March 2017. The net cash inflow of S$2.9 million during the quarter resulted mainly from the proceeds from the sale of fixed assets and net cash inflow from operating activities, partially offset by the net repayment of financial liabilities and interest expenses.

Mr Roland Ng, Tat Hong's Managing Director and Group CEO, said: "We are happy to note early signs of a turnaround in the performance of our Australian subsidiary, Tutt Bryant Group, especially in our general equipment rental and distribution businesses, amidst a rebound in infrastructure construction and improving market sentiments in response to a healthier economic outlook in Australia."

"Our tower crane rental business in the People's Republic of China continued to perform well, aided by participation in projects in the infrastructure, transportation and power generation sectors. As these are medium to long-term projects, we expect the utilisation rates of our tower crane to remain stable."

"Challenging market conditions continued to affect the performance of our Crane Rental business. Whilst Malaysia has performed well during the quarter, competitive conditions were faced in Singapore resulting in low rental rates and low utilisation rates were experienced in Hong Kong following the completion of major projects. Although the crane rental business in Australia has shown signs of recovery, the market is still marked by depressed rental rates and excess capacity."

"The silver lining is that the Group's EBITDA (excluding impairment losses) has improved to S$20.2 million for this quarter from S$3.6 million for 4QFY2017."

SEGMENTAL REVIEW

Revenue Breakdown (S$'000)	1QFY2018	1QFY2017	% Change
Crane Rental	**31,319**	37,608	-17
Tower Crane Rental	**26,515**	24,479	+8
General Equipment Rental	**13,956**	11,143	+25
Distribution	**46,539**	43,502	+7
Total	**118,329**	116,732	+1

Crane Rental

The Crane Rental division recorded revenue improvements in Malaysia from the commencement of new projects and Australia arising from an increase in utilisation rates. These were however eroded by weaker revenues from Singapore, Batam and Hong Kong due primarily to lower rental rates, lower activity levels and the completion of projects, respectively. As a result, revenue generated by the division registered a 17% decline to S$31.3 million in 1QFY2018 compared with S$37.6 million recorded in the corresponding quarter a year ago.

The utilisation rate for the Group's fleet of crawler and mobile cranes as at 30 June 2017 was 55.2%, compared with the utilisation rate of 47.7% recorded a year earlier.

Tower Crane Rental

The Tower Crane Rental division posted an 8% improvement in revenue to S$26.5 million from S$24.5 million in 1QFY2017 as the Group's tower cranes in the People's Republic of China continued to enjoyed strong utilisation rates from its participation in projects in the infrastructure, transportation, commercial and power generation sectors. The improvement in revenue contribution was partially eroded by the weaker renminbi, excluding the effect of which, revenue from the Tower Crane Rental division would have increased 10%.

As at 30 June 2017, the tower crane utilisation rate was 81.3%, marginally lower than the rate of 83.1% registered a year ago.

General Equipment Rental

The General Equipment Rental division in Australia posted a strong 25% increase in revenue to S$14.0 million compared with S$11.1 million in 1QFY2017 due to improved equipment utilisation rates and longer hire periods as well as the commencement of new projects especially in the infrastructure sector.

Distribution

Revenue from the Distribution division increased 7% to S$46.5 million attributable to improved sales of equipment and spare parts in Australia, partially offset by lower demand for cranes in Singapore and overseas markets including Hong Kong, Middle East and Japan.

BUSINESS PROSPECTS

While the Group anticipates continued challenging trading conditions in the ASEAN countries, it expects continued healthy demand in the People's Republic of China ("**China**") and is cautiously optimistic of improving market and economic outlooks in Australia.

The market weakness and competitive pricing pressures in the ASEAN countries will continue to impact the Crane Rental Division. On the other hand, the Group has experienced early signs of improved market sentiments in Australia.

The Tower Crane Rental Division in China is expected to perform well on the back of a strong pipeline of committed projects in the building, infrastructure, transport and power generation sectors.

The increase in infrastructure spending in Australia is expected to lift revenues from the General Equipment Rental Division.

Whilst the Distribution Division will benefit from improved demand in Australia, continued weakness in the heavy equipment market is expected in the ASEAN countries.

Notwithstanding the above, the Group will continue its fleet rationalisation activities. The Group will also continue to take advantage of its strong China presence to explore opportunities in China's One Belt One Road initiative.

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About Tat Hong Holdings Ltd

Tat Hong Holdings Ltd was established in Singapore in the 1970s as a supplier of cranes and heavy equipment and was listed on the Singapore Stock Exchange in June 2000. It is the largest crane-owning company in the Asia-Pacific region[1] with a fleet size of more than 1,500 crawler, mobile and tower cranes of wide-ranging lifting capacities.

In Asia, Tat Hong has successfully leveraged its extensive crane fleet and vast experience in providing lifting solutions to establish itself as the leading name in the crane rental and equipment sales business.

Through its wholly-owned Australian subsidiary, Tutt Bryant Group Limited, Tat Hong has a leading position in the Australian market in the areas of crane hire and heavy haulage, equipment sales and distribution as well as general plant and equipment hire.

Tat Hong has also aggressively expanded its tower crane rental business in China and is the one of the largest tower crane rental company in the country.

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Source: [1]International Cranes, IC50 Ranking, 2017