TAT HONG HOLDINGS LTD

Registration No: 199105392H

FOR IMMEDIATE RELEASE

Tat Hong Posts 13% Increase in Revenue to S$124.3 million for 2QFY2018

- *Net loss halved to S$2.8 million*
- *Broad-based recovery bolstered by the Group's Australian operations*

(S$'000) *For the 3/6 months ended 30 September*	**2QFY2018**	**2QFY2017**	**% Change**	**1HFY2018**	**1HFY2017**	**% Change**
Revenue	**124,265**	109,849	+13	**242,594**	226,581	+7
Gross profit	**35,721**	34,271	+4	**66,109**	69,190	-4
(Loss) before tax	**(2,719)**	(3,533)	-23	**(6,006)**	(7,320)	-18
Net (loss) attributable to shareholders	**(2,790)**	(5,413)	-48	**(7,876)**	(8,991)	-12

SINGAPORE, 14 November 2017 – Tat Hong Holdings Ltd ("**Tat Hong**" or the "**Group**"), Asia-Pacific's largest crane rental company and the world's ninth largest crane-owning company in terms of aggregate tonnage[1], today reported a 13% increase in revenue to S$124.3 million for the quarter ended 30 September 2017 ("**2QFY2018**") compared with the same quarter a year ago ("**2QFY2017**"). All business divisions reported healthy revenue increases, with the exception of the Crane Rental division.

Gross profit for the period increased 4% to S$35.7 million, representing a gross profit margin of 29% compared with 31% registered in the previous corresponding quarter. Whilst the Group recorded increased profit margins from the Crane Rental and General Equipment Rental divisions in Australia and stable margin from the Tower Crane Rental division, these were partially eroded by weaker margins from the Crane Rental and Distribution divisions in the ASEAN region as well as the Distribution division in Australia.

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

The Group's total operating costs increased 4% to S$37.0 million in 2QFY2018 compared with S$35.7 million incurred in 2QFY2017. This was due primarily to a net foreign exchange loss of S$0.9 million compared with a net gain of S$2.1 million in 2QFY2017, as well as the accrual made for a legal claim of S$1.8 million, partially mitigated by savings in manpower costs and the absence of impairment losses.

Finance expenses for the quarter remained stable at S$5.4 million as higher interest rates offset the effect of the repayment of bank loans and finance lease obligations.

Share of profits from the Group's joint ventures and associates contributed S$0.5 million to its earnings for the quarter under review compared with a share of loss of S$0.6 million in the previous corresponding quarter.

The Group's loss before tax narrowed to S$2.7 million from S$3.5 million posted for the same quarter a year ago, contributed primarily by improved performance from Australia. After accounting for taxes and the share of losses attributable to minority interests, the Group's net loss for 2QFY2018 was S$2.8 million, which was approximately half of the net loss of S$5.4 million reported for 2QFY2017.

The Group's cash and cash equivalents position remained healthy at S$107.2 million as at 30 September 2017. The net decrease of S$9.9 million during the quarter was the result of the net repayment of loans, finance lease obligations and interest, partially offset by proceeds from the disposal of property, plant and equipment and net cash inflow from operating activities. As at 30 September 2017, the Group's net gearing was 0.55 times, down from 0.57 times as at 31 March 2017.

On the Group's performance, Mr Roland Ng, Tat Hong's Managing Director and Group CEO, said, "We are heartened by the improved performance from our Australian operations under the Tutt Bryant Group which saw a broad-based recovery of demand especially from the infrastructure sector."

"The Tower Crane Rental business in China continued to perform well as it is involved in mostly long-term projects and its pipeline remains healthy. Our tower crane utilisation rate continued to be high, at 82%, despite operating a larger fleet compared with last year."

Mr Ng added, "Pockets of weakness still remain in our Crane Rental and Distribution businesses in the ASEAN region due to anaemic demand and competitive pricing. These weaknesses have posed a drag on the Group's overall performance. Though the Group's net loss has narrowed considerably, we have not eased our efforts in curbing our operating costs and capital expenditure."

SEGMENTAL REVIEW

Revenue Breakdown (S$'000)	2QFY2018	2QFY2017	% Change	1HFY2018	1HFY2017	% Change
Crane Rental	**32,034**	34,022	-6	**63,353**	71,630	-12
Tower Crane Rental (China)	**28,184**	25,494	+11	**54,699**	49,973	+9
General Equipment Rental (Australia)	**14,635**	10,899	+34	**28,591**	22,042	+30
Distribution	**49,412**	39,434	+25	**95,951**	82,936	+16
Total	**124,265**	109,849	+13	**242,594**	226,581	+7

Crane Rental

The Crane Rental division posted a slight 6% decline in revenue to S$32.0 million as revenue increases from Australia and Malaysia were negated by declines in the Group's other markets. The improved performance from Australia was driven by new projects in the infrastructure sector and new maintenance contracts from the mining and oil and gas sectors whilst a major long-term on-going oil and gas project in Malaysia boosted its fleet utilisation rate and revenue. Weaker revenues were recorded from Singapore due to lower rental rates despite an improvement in utilisation rate; from Batam due to lower activities in the oil and gas sector; and from Hong Kong due to the completion of projects.

Tower Crane Rental

Revenue contribution from the Tower Crane Rental division in the People's Republic of China posted an increase of 11% in 2QFY2018 to S$28.2 million as the Group's tower cranes continued to be deployed in long-term projects in the infrastructure, power generation, transportation and commercial sectors. Consequently, the tower crane utilisation rate at 30 September 2017 remained at a high 82%, which is comparable to the rate last year, despite a larger fleet being in operation.

General Equipment Rental

The General Equipment Rental division chalked up another consecutive quarter of double-digit revenue growth on the back of increased public spending on infrastructure projects. For the quarter under review, revenue jumped 34% to reach S$14.6 million from S$10.9 million posted a year ago.

Distribution

Revenue contribution from the Distribution division increased by a healthy 25% to S$49.4 million from S$39.4 million posted in 2QFY2017. The revenue improvement was driven by strong sales of equipment and spare parts in Australia, partially dampened by weaker equipment sales out of Singapore to overseas markets such as the Middle East, Bangladesh, the Philippines and Vietnam. Sales in Singapore and Malaysia remained comparable to previous corresponding quarter.

BUSINESS PROSPECTS

Whilst the Group expects steady growth of its Tower Crane Rental business in the People's Republic of China and an improvement in the performance of its businesses in Australia, pockets of weaknesses arising from challenging market conditions in certain parts of the ASEAN region and newly announced environmental regulations affecting the Beijing area may impact the Group's overall performance.

The Crane Rental Division is expected to benefit from improving market sentiments in Australia, however, market weakness and competitive pricing pressures are expected to continue in certain parts of the ASEAN region.

The Tower Crane Rental Division in China is expected to perform satisfactorily 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 to continue in the ASEAN region.

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 Belt and 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. The company was listed on the Singapore Stock Exchange in June 2000 and is today the largest crane rental company in the Asia-Pacific region[1] with a fleet size of more than 1,500 crawler, mobile and tower cranes ranging from under 50 tonnes to 1,600 tonnes.

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, heavy lift, heavy haulage 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 and general plant and equipment hire.

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

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