AP RENTALS HOLDINGS LIMITED
亞積邦租賃控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1496)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue	**99,581**	121,437
Profit before taxation	**7,538**	23,397
Profit and total comprehensive income of the Company	**6,086**	18,501
Profit margin (ratio of profit and total comprehensive income to revenue)	**6.1%**	15.2%
Basic EPS (HK cents)	**0.7**	2.6
Interim dividend per share (HK cent)	**0.28**	–

* *For identification purposes only*

INTERIM RESULTS

The board of directors (the "**Board**") of AP Rentals Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2016 together with its comparative figures for the corresponding period in 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Revenue	*3*	**99,581**	121,437
Cost of sales and services		**(75,186)**	(80,102)
Gross profit		**24,395**	41,335
Other income	*4*	**2,277**	1,379
Other gains and losses	*5*	**376**	678
Administrative expenses		**(16,995)**	(11,527)
Listing expenses		**(1,127)**	(7,888)
Finance costs	*6*	**(1,388)**	(580)
Profit before taxation		**7,538**	23,397
Income tax expense	*7*	**(1,452)**	(4,896)
Profit and total comprehensive income	*8*	**6,086**	18,501
Earnings per share			
— Basic (HK cents)	*9*	**0.7**	2.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 September 2016** *HK$'000* **(Unaudited)**	As at 31 March 2016 *HK$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**186,089**	169,806
Deposit placed for a life insurance policy		**2,524**	2,494
Deposits for purchase of property, plant and equipment		**120**	–
		188,733	172,300
Current Assets			
Inventories		**5,048**	6,898
Trade receivables, deposits and prepayments	*11*	**62,447**	77,581
Investment in certificate of deposit		**6,021**	–
Bank balances and cash		**88,282**	22,292
		161,798	106,771
Current Liabilities			
Trade and other payables	*12*	**41,849**	55,185
Tax liabilities		**3,639**	7,270
Obligations under finance leases — due within one year		**179**	285
Borrowings — due within one year		**53,156**	75,199
Bank overdraft		**–**	167
		98,823	138,106
Net Current Assets/(Liabilities)		**62,975**	(31,335)
Total Assets less Current Assets/(Liabilities)		**251,708**	140,965

	NOTES	As at 30 September 2016 HK$'000 (Unaudited)	As at 31 March 2016 HK$'000 (Audited)
Non-current Liabilities			
Deferred tax liabilities		**21,742**	20,384
Obligations under finance leases — due after one year		**–**	45
Borrowings — due after one year		**–**	44
		21,742	20,473
Net Assets		**229,966**	120,492
Capital and Reserves			
Issued capital	*13*	**864**	27
Reserves		**229,102**	120,465
Total Equity		**229,966**	120,492

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2016 has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies applied in the preparation of the condensed consolidated interim financial information for the six months ended 30 September 2016 are consistent with those of the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2016.

Application of new amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Certain new standards, amendments and interpretations have been issued but are not effective for the current accounting period. The Group has not early adopted those new standards, amendments or interpretations and is in the process of making an assessment of the impact of these new standards, amendments and interpretation on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the net amounts received or receivable for machinery leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue is as follows:

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Leasing income of machinery	**73,556**	88,364
Sales of machinery and parts	**9,352**	17,952
Operating service income	**10,830**	9,824
Other service income	**5,843**	5,297
	99,581	121,437

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities that are regularly reviewed by the chief operating decision maker, i.e. the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

Leasing — Leasing of machinery, and related operating and other services
Trading — Sales of machinery and parts, and related operating and other services

Segment information about these reportable and operating segments is presented below:

Segment revenue and results

For the six months ended 30 September 2016 (Unaudited)

	Leasing	**Trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Segment revenue from external customers	**89,603**	**9,978**	**99,581**
Results			
Segment results	**19,026**	**2,920**	**21,946**
Unallocated income			**768**
Unallocated expenses			**(15,176)**
Consolidated profit before taxation of the Group			**7,538**

For the six months ended 30 September 2015 (Audited)

	Leasing *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Revenue			
Segment revenue from external customers	103,417	18,020	121,437
Results			
Segment results	34,423	5,420	39,843
Unallocated income			407
Unallocated expenses			(16,853)
Consolidated profit before taxation of the Group			23,397

Segment results represent the profit earned by each segment without allocation of interest income, sundry income, corporate income, listing expenses and central administration expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

No segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Other segment information

For the six months ended 30 September 2016 (Unaudited)

	Leasing ***HK$'000***	**Trading** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Amounts included in the measure of segment results:				
Allowance for doubtful debts recognised, net	**305**	**–**	**–**	**305**
Depreciation of property, plant and equipment	**18,430**	**115**	**899**	**19,444**
Gain on disposal of property, plant and equipment	**(479)**	**–**	**–**	**(479)**

For the six months ended 30 September 2015 (Audited)

	Leasing *HK$'000*	Trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment results:				
Allowance for doubtful debts recognised, net	613	–	–	613
Depreciation of property, plant and equipment	13,519	13	726	14,258
Gain on disposal of property, plant and equipment	(1,316)	(7)	–	(1,323)

Geographical information

The Group's revenue from external customers is mainly derived from customers located in Hong Kong and Macau, which is determined based on the location of customers.

	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Audited)
External revenue:		
Hong Kong	**86,149**	96,108
Macau	**13,432**	25,329
	99,581	121,437

4. OTHER INCOME

	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Audited)
Interest income from		
— bank deposits	**42**	7
— investment in bonds	**–**	99
— investment in certificate of deposit	**17**	–
— deposit placed for a life insurance policy	**48**	36
Storage income	**723**	717
Sundry income	**1,447**	520
	2,277	1,379

5. OTHER GAINS AND LOSSES

	Six months ended 30 September 2016 HK$'000 (Unaudited)	2015 HK$'000 (Audited)
Allowance for doubtful debts recognised, net	**(305)**	(613)
Exchange gain / (loss), net	**202**	(32)
Gain on disposal of property, plant and equipment	**479**	1,323
	376	678

6. FINANCE COSTS

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest on borrowings	**1,383**	567
Interest on finance leases	**5**	13
	1,388	580

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax		
Hong Kong Profits Tax	**687**	2,943
Macau Complementary Income Tax	**564**	1,581
	1,251	4,524
Deferred taxation	**201**	372
	1,452	4,896

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

For the subsidiary registered in Macau, Macau Complementary Income Tax is calculated at 12% of the estimated assessable profit exceeding MOP600,000 after the deduction of dividend paid for both periods.

8. PROFIT AND TOTAL COMPREHENSIVE INCOME

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit and total comprehensive income has been arrived at after charging:		
Directors' emoluments	**3,204**	1,207
Other staff costs:		
— Salaries, allowances and other benefits	**19,887**	17,751
— Retirement benefits scheme contributions	**381**	667
	20,268	18,418
Total staff costs	**23,472**	19,625
Auditor's remuneration	**730**	202
Cost of inventories recognised as expenses	**5,370**	11,283
Depreciation of property, plant and equipment	**19,444**	14,258
Operating lease rentals in respect of rented premises	**1,727**	2,150

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the Company's shareholders is based on the following data:

	Six months ended 30 September	
	2016	2015
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**6,086**	18,501
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**858,216,393**	712,800,000

No diluted earnings per share are presented for both periods as there were no potential ordinary shares in issue.

Notes:

1. The calculation of the basic earnings per share for the six months ended 30 September 2016 is based on the profit attributable to the owners of the Company using the weighted average number of ordinary shares in issue during the period.

2. The calculation of the basic earnings per share for the six months ended 30 September 2015 is based on the profit attributable to the owners of the Company and on 712,800,000 shares in issue during that period on the assumption that the capitalisation issue as detailed in note 13 have been effective on 1 April 2014.

10. DIVIDEND

The Board has resolved to declare an interim dividend of HK0.28 cent per share for the six months ended 30 September 2016 to be payable to shareholders whose name appear on the register of members of the Company on 16 December 2016. No dividend was paid during the six months ended 30 September 2015 and the six months ended 30 September 2016.

11. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2016 ***HK\$'000*** **(Unaudited)**	As at 31 March 2016 *HK\$'000* (Audited)
Trade receivables	**65,001**	75,952
Less: Allowance for doubtful debts	**(5,072)**	(4,767)
	59,929	71,185
Deposits and prepayments	**2,518**	2,445
Deferred listing expenses	**–**	3,951
	62,447	77,581

The Group allows an average credit period of 0 to 45 days to its trade customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Trade receivables that are neither past due nor impaired are due from creditworthy customers.

As at 30 September 2016, included in trade receivables are approximately HK\$113,000 (31 March 2016: Nil), approximately HK\$323,000 (31 March 2016: HK\$1,015,000) and approximately HK\$1,350,000 (31 March 2016: HK\$2,573,000) receivables from companies controlled by the ultimate shareholders of the Company, a shareholder and a subsidiary of a shareholder of the Company respectively.

The following is an aged analysis of trade receivables, net of allowance, presented based on the invoice date at the end of each reporting period:

	As at 30 September 2016 ***HK\$'000*** **(Unaudited)**	As at 31 March 2016 *HK\$'000* (Audited)
Within 30 days	**23,014**	15,603
31 to 60 days	**8,503**	17,287
61 to 90 days	**8,553**	7,603
91 to 180 days	**12,500**	16,128
Over 180 days	**7,359**	14,564
	59,929	71,185

12. TRADE AND OTHER PAYABLES

	As at 30 September 2016 *HK$'000* (Unaudited)	As at 31 March 2016 *HK$'000* (Audited)
Trade payables	**30,442**	31,093
Accrued expenses	**8,284**	6,944
Other payables	**623**	16,142
Deposits received	**2,500**	1,006
	41,849	55,185

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 30 September 2016 *HK$'000* (Unaudited)	As at 31 March 2016 *HK$'000* (Audited)
Within 30 days	**13,189**	5,813
31 to 60 days	**657**	14,559
61 to 90 days	**5,060**	672
91 to 180 days	**9,863**	4,515
Over 180 days	**1,673**	5,534
	30,442	31,093

The credit period on trade payables is ranging from 0 to 180 days.

13. ISSUED CAPITAL

The Company was incorporated in the Cayman Islands on 11 June 2015 with an authorised share capital of 380,000,000 shares of HK$0.001 each. On the same day, 1 share of HK$0.001 was allotted and credited as issued at par.

On 21 July 2015, further 27,377,999 shares of HK$0.001 each were issued in connection with the Group Reorganisation.

On 17 March 2016, the authorised share capital of the Company was increased from HK$380,000 divided into 380,000,000 ordinary shares of HK$0.001 each to HK$10,000,000 divided into 10,000,000,000 ordinary shares of HK$0.001 each.

On 17 March 2016, written resolutions of all the shareholders of the Company were passed to approve the matters set out in paragraph headed "Extraordinary general meeting of our Shareholders on 17 March 2016" in Appendix IV to the prospectus to the Company dated 24 March 2016. Simultaneous with the listing of the shares of the Company on the Stock Exchange on 8 April 2016, 685,422,000 ordinary shares of HK$0.001 each were issued at par to the shareholders whose names were on the register of members of the Company as at the close of business on 17 March 2016 for capitalisation of HK$685,422 standing to the credit of the share premium account of the Company and 151,200,000 ordinary shares of HK$0.001 each were issued at HK$0.75 per share for a total gross proceeds of HK$113,400,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

Since the successful listing of the shares of the Company on the Main Board of the Stock Exchange on 8 April 2016 (the "**Listing Date**"), the Group has utilised a portion of the proceeds from its initial public offering to expand its equipment fleet in an effort to enhance the Group's competitiveness and to keep abreast of the need of the construction market. New products were introduced to the market recently, including the self-propelled boom lifts with the world's tallest reach at 185 ft. For the six months ended 30 September 2016 ("**1H2017**"), the Group has invested approximately HK$35.8 million to expand its equipment fleet. However, the slowdown of business in Macau that the Group has experienced since October 2015, as disclosed under the section headed "Summary — Recent Developments" in the prospectus of the Company dated 24 March 2016 (the "**Prospectus**"), and the decrease in trading income, which largely fluctuates with market demand based on customers' equipment needs, have affected the Group's overall business results for 1H2017. In addition, the sluggish construction market in Hong Kong has also affected the Group's rental business in Hong Kong.

For 1H2017, the Group recorded revenue of approximately HK$99.6 million, representing a decrease of approximately 18.0% as compared to that of approximately HK$121.4 million for the six months ended 30 September 2015 ("**1H2016**"). For 1H2017, the Group recorded gross profit of approximately HK$24.4 million, representing a decrease of approximately 40.9% as compared to that of approximately HK$41.3 million for 1H2016. The gross profit margin for 1H2017 was approximately 24.5% (1H2016: approximately 34.0%), representing a decrease of approximately 9.5 percentage points as compared to that for 1H2016. Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in 1H2017.

Net profit attributable to owners of the Company declined by approximately 67.0% from approximately HK$18.5 million in 1H2016 to approximately HK$6.1 million in 1H2017. This was primarily due to (i) the decrease in rental income from machinery in Macau which is due to the slowdown of business in Macau as explained above and the decrease in trading income; (ii) the increase in depreciation expenses for the Group's owned fleet of equipment due to the Group's purchase of equipment as part of its strategy to expand its rental fleet; (iii) the adjustment of rental price charged by the Group's supplier, Kanamoto (HK) Co., Ltd (which is a wholly-owned subsidiary of Kanamoto Co., Ltd., being the Group's shareholder and strategic partner) in February 2016 as disclosed under the section headed "Business" in the Prospectus; (iv) the increase in staff costs for the Group's equipment operators, technicians and truck drivers; and (v) the increase in administrative expenses due to the increase in expenses for professional fees and compliance fees, audit fee, director emoluments and fees and public relation expenses following the listing of the Company in April 2016. In addition, listing expenses of approximately HK$1.1 million was recorded in 1H2017, which is non-recurring in nature. After adjusting the listing expenses of approximately HK$1.1 million, the Group would have recorded net profit of approximately HK$7.2 million in 1H2017 (1H2016: approximately HK$26.4 million).

Basic earnings per share attributable to owners of the Company for 1H2017 was HK0.7 cent (1H2016: HK2.6 cents).

Business Overview

During 1H2017, the continuous redeployment of construction equipment from Macau to Hong Kong as a result of the completion of certain major casino projects has increased the supply of rental equipment in Hong Kong. Some projects like the Express Railway, the Kowloon Terminus, have experienced various obstacles in their work progress. Thus, demand on certain rental equipment was reduced or delayed. Despite the fact that new projects were started during 1H2017, including the projects in relation to the Third Runway of the Hong Kong International Airport (the "**Third Runway**") and the Tseung Kwan O-Lam Tin Tunnel (the "**TKOT Tunnel**"), they are still at their initial stage of development and thus the peak for demand for rental equipment has not been reached yet. In addition to our continuous efforts in participating in the construction industry and being actively involved in large public projects in Hong Kong, including those among the "Ten Major Infrastructure Projects", namely the Shatin to Central Link, the Tuen Mun Western Bypass and Tuen Mun Chek Lap Kok Link, Kai Tak Development Plan, New Development Areas, Hong Kong-Shenzhen Airport Cooperation, Hong Kong Shenzhen Joint Development of the Lok Ma Chau Loop, South Island Line, West Kowloon Cultural District, the Guangzhou-Shenzhen-Hong Kong Express Rail Link and Hong Kong-Zhuhai-Macau Bridge, we are also one of the major suppliers of event and entertainment equipment in Hong Kong. Our highlight during 1H2017 is that we provided extensive equipment and rental solutions, including the supply of power generators, forklifts and extensive on-site services, to the 2016 FIA Formula E HKT Hong Kong ePrix event.

Segment Analysis

(i) Rental income of machinery

During the period under review, the Group's rental income from rental services, which involved the rental of construction, electrical and mechanical engineering and event and entertainment equipment in Hong Kong and Macau, decreased by approximately 16.8% from approximately HK$88.4 million in 1H2016 to approximately HK$73.6 million in 1H2017.

The decrease was mainly attributed to the significant decrease in rental income in Macau from approximately HK$21.6 million in 1H2016 to approximately HK$11.4 million in 1H2017, as a result of the slowdown of business in Macau that the Group has experienced since October 2015, as disclosed under the section headed "Summary — Recent Developments" in the Prospectus, in view of the completion of certain major casino projects in Macau. The Group's rental income in Hong Kong recorded a slight decrease from approximately HK$66.7 million in 1H2016 to approximately HK$62.1 million in 1H2017.

Rental income from rental services accounted for approximately 73.9% of the Group's total revenue for 1H2017 (1H2016: approximately 72.8%).

(ii) Operating service income

The Group offers equipment operating services in Hong Kong by providing equipment operators to operate the equipment at the job sites of its customers. For 1H2017, revenue from equipment operating services increased by approximately 10.2% to approximately HK$10.8 million (1H2016: approximately HK$9.8 million), and accounted for approximately 10.9% of the Group's total revenue for 1H2017 (1H2016: approximately 8.1%).

(iii) Other service income

The Group's other service income, which arises from rental arrangements including repair, maintenance and technical support services during the rental period, remained relatively stable and amounted to approximately HK$5.8 million for 1H2017 (1H2016: approximately HK$5.3 million). The Group's other service income accounted for approximately 5.8% of the Group's total revenue for 1H2017 (1H2016: approximately 4.3%).

(iv) Sales of machinery and spare parts

To complement the Group's equipment rental solutions and to satisfy customers' different equipment service needs, the Group trades new and used equipment and spare parts from different suppliers for on-selling to customers. Due to the fluctuation of demand for construction equipment, the revenue from sales of machinery and spare parts decreased by approximately 47.9% from approximately HK$18.0 million in 1H2016 to approximately HK$9.4 million for 1H2017, and which accounted for approximately 9.4% of the Group's total revenue for 1H2017 (1H2016: approximately 14.8%).

Outlook

The Group expects the Hong Kong market to remain as the Group's major market. The "Ten Major Infrastructure Projects" and the continuous property development in both public and private sectors will continue to stimulate demand for construction equipment. The Group believes that the equipment rental market will continue to expand in the future due to the flexibility and cost effectiveness that rental equipment offers to construction companies. However, in the short term the outlook is uncertain. The current over-supply of construction equipment due to the unexpected delay in certain major projects and weak customer demand are driving down rental rates and prices. The Group is also experiencing more pressure from its customers for more competitive pricing for its equipment, which inevitably will further suppress the Group's profit margin if the Group is to maintain its market share. We believe that this trend will continue until the major infrastructure projects in Hong Kong reach their major stage of construction, which is expected to increase the demand for construction equipment in the market. For Macau, we believe the demand for construction equipment will remain at a low level due to the completion of major casino projects.

In terms of business operation, we are confident on the prospects of the rental market in Hong Kong. During the six-month period ended 30 September 2016, the Group has invested approximately HK$35.8 million to expand its equipment fleet. We will continue to invest on and improve our equipment fleet with higher environmental and quality standard to strive for higher efficiency, and to comply with increasingly stringent environmental standards so as to enhance our competitiveness. Further purchase of new rental equipment for our equipment fleet will be funded by the proceeds from the initial public offering, proceeds from disposal of the aged equipment and if necessary, financed by external borrowing. In addition, we will expand our product range to consolidate our market leading position. We will also expedite our equipment replacement programme to bring down the average age of our equipment fleet to increase the utilization rate. The utilization rate for equipment with age five years or less is generally higher than that for equipment with age of over five years as demand for newer equipment is generally higher due to customers' preference.

The Group is conducting feasibility study over the installation of a GPS equipment monitoring system in our equipment. We believe that it can help identifying potential problems with equipment before they surface, and thus can potentially enhance cost efficiency, reduce equipment down time, improve the quality of equipment servicing and maintenance, and boost the overall quality of the Group's equipment rental service. Last but not least, we would strive to maintain our cost control management so as to enhance our competitiveness and to improve our profitability in the future.

FINANCIAL REVIEW

Revenue

For 1H2017, the Group recorded a decline in revenue of approximately HK$21.9 million, with the total revenue amounting to approximately HK$99.6 million for 1H2017, representing a decrease of approximately 18.0% as compared to that of approximately HK$121.4 million for 1H2016. The decrease in revenue mainly resulted from the decrease in rental income from rental services in Macau and the decrease in trading income.

For details, please see the discussion on the Group's segmental performance in the section headed "Segment Analysis" above.

Cost of Sales

The Group's cost of sales amounted to approximately HK$75.2 million for 1H2017, representing a period-on-period decrease of approximately 6.1% (1H2016 approximately HK$80.1 million). Cost of sales mainly comprised machinery hiring expenses, staff costs for the Group's equipment operators, technicians and truck drivers, costs for machinery and parts for trading and depreciation, which together accounted for approximately 87.7% of the Group's total cost of sales in 1H2017.

Among the four major items under cost of sales, the Group recorded a decrease of approximately 16.4% in machinery hiring expenses during the period under review, owing to the slowdown in construction activities. Staff costs increased by approximately 12.6% due to an increase in the demand for the Group's operators by the market. The increase in the wages was caused by the increase in headcount and salary increment during 1H2017. Depreciation increased by approximately 37.0% period-on-period mainly due to new additions of plant and machinery as a result of the expansion of the Group's owned fleet. Costs for machinery and parts substantially decreased by approximately 52.4%, following the decline in the Group's trading revenue in 1H2017.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 40.9% from approximately HK$41.3 million for 1H2016 to approximately HK$24.4 million for 1H2017 and the Group's gross profit margin was approximately 24.5% for 1H2017 (1H2016: approximately 34.0%). The increase in depreciation expenses for the Group's owned fleet of equipment; the adjustment of rental price charged by the Group's supplier, Kanamoto (HK) Co., Ltd, in February 2016; and the increase in staff costs for the Group's equipment operators, technicians and truck drivers, have exerted downward pressure on the Group's gross profit margin in 1H2017.

Administrative Expenses

For 1H2017, administrative expenses amounted to approximately HK$17.0 million (1H2016: approximately HK$11.5 million), representing an increase of approximately 47.8% over 1H2016. The increase in administrative expenses was mainly due to increase in professional fees, compliance fees, audit fee, director emoluments and fees and public relation expenses, following the listing of the Company in April 2016.

Listing Expenses

The Group recognised listing expenses of approximately HK$1.1 million in 1H2017 (1H2016: approximately HK$7.9 million).

Finance cost

Finance costs comprised interest on the Group's borrowings and finance leases, which amounted to approximately HK$1.4 million for 1H2017 (1H2016: approximately HK$0.6 million). The increase was attributable to an increase of borrowings during the period under review.

Profit and Total Comprehensive Income for 1H2017

The Group recorded net profit of approximately HK$6.1 million for 1H2017 (1H2016: approximately HK$18.5 million), representing a net profit margin of approximately 6.1% (1H2016: approximately 15.2%). The decrease in net profit in 1H2017 was mainly due to the decrease in gross profit and the increase in administrative expenses as explained above. Before deducting the listing expenses of approximately HK$1.1 million, the Group's net profit and net profit margin for 1H2017 would be approximately HK$7.2 million and approximately 7.2%, respectively.

Capital Expenditure

The Group's capital expenditures in 1H2017 primarily comprised expenditures on plant and machinery, leasehold improvements and motor vehicles, amounting to a total of approximately HK$36.5 million (1H2016: approximately HK$52.5 million). The vast majority of the capital expenditures were used to fund the expansion of the Group's owned rental fleet of machinery, which accounted for approximately 98.1% of the total capital expenditure for 1H2017.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and the proceeds from its initial public offering. As at 30 September 2016, the Group had bank balances and cash equivalents of approximately HK$88.3 million (31 March 2016: approximately HK$22.3 million) that were mainly denominated in Hong Kong Dollars, Japanese Yen and Macau Pataca ("**MOP**"), and had borrowings and obligations under finance leases of approximately HK$53.3 million (31 March 2016: approximately HK$75.7 million) that were mainly denominated in Hong Kong Dollars.

During the period under review, the Group invested approximately HK$6.0 million in a 0.86% fixed rate certificate of deposit which has been pledged to secure the Group's borrowings. It was funded by the uplift of bank deposits of approximately HK$8.0 million.

As at 30 September 2016, the Group had banking facilities of approximately HK$107.3 million (31 March 2016: approximately HK$128.6 million), of which approximately HK$50.5 million (31 March 2016: approximately HK$72.0 million) had been drawn down, and approximately HK$56.8 million (31 March 2016: approximately HK$56.6 million) were unutilised.

As the sum of cash and cash equivalents exceeded the sum of bank facilities, borrowings and obligations under finance leases, the gearing ratio of the Group was nil as at 30 September 2016 (31 March 2016: approximately 44.4%), which was calculated based on the net debt divided by total equity. Net debt is defined as the sum of the borrowings, bank overdraft and obligations under finance leases, minus the cash and cash equivalents.

Going forward, the Group expects to fund its future operations and expansion plans primarily with cash generated from operations, borrowings and the net proceeds received by the Company through listing of its shares on the Stock Exchange.

Foreign Exchange Risk

Certain transactions of the Group are denominated in currencies which are different from the functional currencies of the Group, namely, Hong Kong Dollars, and therefore the Group is exposed to foreign exchange risk. Payments made by the Group for the settlement of its purchases from suppliers are generally denominated in Hong Kong Dollars, Japanese Yen, Euro and US Dollars. Payments received by the Group from its customers are mainly denominated in Hong Kong Dollars and MOP.

The Group does not have a foreign currency hedging policy. However, the Group will continue to monitor closely its exposure to currency movement and take proactive measures.

Contingent Liabilities

As at 30 September 2016, the Group had no material contingent liabilities (31 March 2016: Nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries or associates during 1H2017.

Significant Investments

Save for the investment in certificate of deposit which amounted to approximately HK$6.0 million as at 30 September 2016, the Group did not have any significant investments as at 30 September 2016.

Capital Commitments

As at 30 September 2016, the Group had capital commitments of approximately HK$7.1 million (31 March 2016: approximately HK$1.8 million) to acquire plant and equipment for the Group.

Pledge of Assets

Deposit placed for a life insurance policy of approximately HK$2.5 million as at 30 September 2016 (31 March 2016: approximately HK$2.5 million), plant and machinery of approximately HK$49.6 million as at 30 September 2016 (31 March 2016: approximately HK$62.3 million), a certificate of deposit of approximately HK$6.0 million (31 March 2016: Nil) and bank deposits of approximately HK$2.4 million (31 March 2016: approximately HK$9.2 million) have been pledged to secure the Group's borrowings of approximately HK$53.2 million (31 March 2016: approximately HK$75.2 million).

Human Resources and Employees' Remuneration

As at 30 September 2016, the Group had 163 employees (31 March 2016: 146 employees), of which 157 employees are in Hong Kong (31 March 2016: 138 employees) and 6 employees are in Macau (31 March 2016: 8 employees). Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also provides medical insurance, makes contributions to provident funds and provides other benefits to the employees. The total staff cost including remuneration, other benefits and contributions to retirement schemes for the directors of the Company and other staff of the Group for 1H2017 amounted to approximately HK$23.5 million (1H2016: approximately HK$19.6 million). The increase in staff cost was mainly due to increase in emoluments and fees of the directors of the Company, salary increment and the increase in headcount mainly due to the employment of more operators to cater the demand of the market.

The Group's technical staff attend seminars jointly conducted by manufacturers and the Group to acquire product knowledge to ensure they are equipped with the necessary skills and knowledge to perform their duties. Such seminars include training regarding the equipment structures, operational features, operator safety training and equipment repair. In addition to the training jointly conducted by manufacturers and the Group, the Group's technical staff also attend external training courses and obtained relevant certificates.

Share Option Scheme

To attract and retain the most suitable personnel for development of the Group, the Group has adopted the share option scheme (the "**Scheme**") on 17 March 2016. Share options may be granted to eligible employees of the Group as a long-term incentive. From the date of the adoption of the Scheme and up to the date of this announcement, no share option has been granted or agreed to be granted under the Scheme.

OTHER INFORMATION

Corporate Governance Practices

Throughout the six-month period ended 30 September 2016, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, save and except for the deviation from code provision A.2.1. The Board Diversity Policy is published on the website of the Company for public information.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company are both performed by Mr. Lau Pong Sing. The Board believes that vesting of the roles of both chairman and chief executive officer in the same individual provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of its business efficiently.

The Group acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. It is committed to ensuring high standards of corporate governance in the interests of shareholders and taking care to identify practices designed to achieve effective oversight, transparency and ethical behavior. As at the date of this announcement, the Company has formed the following committees:

Audit Committee: The Audit Committee was set up to provide advice and recommendations to the Board. All committee members are independent non-executive directors namely: Mr. Li Ping Chi, Mr. Ho Chung Tai Raymond and Mr. Siu Chak Yu with Mr. Li Ping Chi as the committee Chairman. Each committee member possesses appropriate finance and/or industry expertise to advise the Board.

Remuneration Committee: The Remuneration Committee was set up with the responsibility of recommending to the Board the remuneration policy for all directors of the Company and the senior management. The committee members are Mr. Lau Pong Sing, the executive director and two independent non-executive directors, namely Mr. Li Ping Chi, and Mr. Siu Chak Yu with Mr. Siu Chak Yu as the committee Chairman.

Nomination Committee: The Nomination Committee was set up with the responsibility of making recommendation to the Board on the appointment or re-appointment of directors of the Company. The committee members are Mr. Lau Pong Sing, Mr. Li Ping Chi, and Mr. Siu Chak Yu with Mr. Lau Pong Sing as the committee Chairman.

Risk Management Committee: The Risk Management Committee was set up to deliberate risk management related policies and procedures. The committee comprises two executive directors, namely Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina and one senior staff member of the Company, namely Mr. Wong Cheuk Man.

Corporate governance practices of the Company during the period from the Listing Date and up to 30 September 2016 are in line with those practices set out in the Corporate Governance Report in the Company's annual report for the year ended 31 March 2016.

Compliance with the Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. The Company has made specific enquiries to all directors of the Company regarding any non-compliance with the Model Code. All the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the period from the Listing Date and up to 30 September 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period from the Listing Date and up to 30 September 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Review by audit committee

The unaudited interim results of the Group for 1H2017 and the corresponding accounting principles and practices adopted by the Group have been reviewed by the audit committee of the Company.

Interim Dividend

The Board has resolved to declare an interim dividend of HK0.28 cent per share for the six months ended 30 September 2016 to be payable to shareholders whose names appear on the register of members of the Company on 16 December 2016.

The interim dividend will be paid on or around 4 January 2017.

Closure of register of members

The register of members of the Company will be closed from 14 December 2016 to 16 December 2016, both days inclusive, during which period no transfer of shares will be registered. All transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 13 December 2016 to qualify for the interim dividend mentioned above.

Publication of Interim Report

The interim report of the Company for 1H2017 containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.aprentalshk.com) in due course.

By Order of the Board
AP Rentals Holdings Limited
Lau Pong Sing
Chairman and Executive Director

Hong Kong, 29 November 2016

As at the date of this announcement, the Board comprises: (1) Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina as the executive directors of the Company; (2) Mr. Kitagawa Ken as the non-executive director of the Company; and (3) Mr. Li Ping Chi, Mr. Siu Chak Yu and Mr. Ho Chung Tai Raymond as the independent non-executive directors of the Company.