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 2017

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**119,778**	99,581
Gross profit	**28,612**	24,395
Profit and total comprehensive income for the period	**13,413**	6,086
Profit margin (ratio of profit and total comprehensive income to revenue)	**11.2%**	6.1%
Basic EPS (HK cents)	**1.55**	0.71
Interim dividend per share (HK cents)	**0.68**	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 2017 together with its comparative figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**119,778**	99,581
Cost of sales and services		**(91,166)**	(75,186)
Gross profit		**28,612**	24,395
Other income	*4*	**1,576**	2,277
Other gains and losses	*5*	**5,598**	376
Administrative expenses		**(18,603)**	(16,995)
Listing expenses		**–**	(1,127)
Finance costs	*6*	**(563)**	(1,388)
Profit before taxation		**16,620**	7,538
Income tax expense	*7*	**(3,207)**	(1,452)
Profit and total comprehensive income	*8*	**13,413**	6,086
Earnings per share			
— Basic (HK cents)	*9*	**1.55**	0.71

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 September 2017** *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**217,145**	192,763
Deposit placed for a life insurance policy		**2,597**	2,565
		219,742	195,328
Current Assets			
Inventories		**8,892**	12,583
Trade receivables, deposits and prepayments	*11*	**60,883**	63,540
Amount due from a related company		**606**	–
Investment in certificate of deposit		**–**	6,047
Bank deposit with original maturity over three months		**–**	10,038
Pledged bank deposits		**360**	2,360
Bank balances and cash		**53,170**	44,960
		123,911	139,528
Current Liabilities			
Trade and other payables	*12*	**46,590**	44,336
Tax liabilities		**2,167**	808
Obligations under finance leases — due within one year		**–**	45
Borrowings — due within one year		**25,760**	33,802
		74,517	78,991
Net Current Assets		**49,394**	60,537
Total Assets less Current Liabilities		**269,136**	255,865

	NOTES	As at 30 September 2017 HK$'000 (Unaudited)	As at 31 March 2017 HK$'000 (Audited)
Non-current Liabilities			
Deferred tax liabilities		**23,351**	22,433
Borrowings — due after one year		**1,354**	–
		24,705	22,433
Net Assets		**244,431**	233,432
Capital and Reserves			
Issued capital	*13*	**864**	864
Reserves		**243,567**	232,568
Total Equity		**244,431**	233,432

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2017

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2017 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

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 HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 — 2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Leasing income of machinery	**72,989**	73,556
Sales of machinery and parts	**28,122**	9,352
Operating service income	**12,845**	10,830
Other service income	**5,822**	5,843
	119,778	99,581

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 2017 (Unaudited)

	Leasing	**Trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Segment revenue from external customers	**91,524**	**28,254**	**119,778**
Results			
Segment results	**27,255**	**5,173**	**32,428**
Unallocated income			**138**
Unallocated expenses			**(15,946)**
Consolidated profit before taxation of the Group			**16,620**

For the six months ended 30 September 2016 (Unaudited)

	Leasing *HK$'000*	Trading *HK$'000*	Total *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

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 2017 (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	**435**	**–**	**–**	**435**
Depreciation of property, plant and equipment	**24,164**	**47**	**922**	**25,133**
Gain on disposal of property, plant and equipment	**(6,530)**	**–**	**–**	**(6,530)**

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)

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	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
External revenue:		
Hong Kong	**113,307**	86,149
Macau	**6,471**	13,432
	119,778	99,581

4. OTHER INCOME

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from		
— bank deposits	**54**	42
— investment in certificate of deposit	**5**	17
— deposit placed for a life insurance policy	**48**	48
Storage income	**884**	723
Sundry income	**585**	1,447
	1,576	2,277

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Allowance for doubtful debts recognised, net	**(435)**	(305)
Exchange (loss)/gain, net	**(497)**	202
Gain on disposal of property, plant and equipment	**6,530**	479
	5,598	376

6. FINANCE COSTS

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**562**	1,383
Interest on finance leases	**1**	5
	563	1,388

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	**2,079**	687
Macau Complementary Income Tax	**210**	564
	2,289	1,251
Deferred taxation	**918**	201
	3,207	1,452

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 for both periods.

8. PROFIT AND TOTAL COMPREHENSIVE INCOME

	Six months ended 30 September 2017 *HK$'000* (Unaudited)	2016 *HK$'000* (Unaudited)
Profit and total comprehensive income has been arrived at after charging:		
Directors' emoluments	**3,207**	3,204
Other staff costs:		
— Salaries, allowances and other benefits	**23,270**	19,887
— Retirement benefits scheme contributions	**965**	381
	24,235	20,268
Total staff costs	**27,442**	23,472
Auditor's remuneration	**852**	730
Cost of inventories recognised as expenses	**20,408**	5,370
Depreciation of property, plant and equipment	**25,133**	19,444
Operating lease rentals in respect of rented premises	**2,419**	1,727

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 2017 *HK$'000*	2016 *HK$'000*
Earnings for the purpose of basic earnings per share	**13,413**	6,086
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**864,000,000**	858,216,393

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

Note:

The calculation of the basic earnings per share for the both periods were based on the profit attributable to the owners of the Company using the weighted average number of ordinary shares in issue during both periods.

10. DIVIDEND

(a) Dividends attributable to the period

At the board meeting held on 28 November 2017, the Board declared an interim dividend of HK0.68 cent per share totalling HK$5,875,200 for the year ending 31 March 2018 (year ended 31 March 2017: HK0.28 cent). The interim dividend is not reflected as a dividend payable in this interim financial information.

(b) Dividends attributable to the previous financial year, approved and paid during the period

A final dividend of HK0.28 cent per share of HK$2,419,200 in total was approved at the annual general meeting and paid during the current interim period (six months ended 30 September 2016: Nil).

11. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2017 *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
Trade receivables	**62,472**	65,395
Less: Allowance for doubtful debts	**(4,803)**	(4,368)
	57,669	61,027
Deposits and prepayments	**3,214**	2,513
	60,883	63,540

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 2017, included in trade receivables are approximately HK$235,000 (31 March 2017: approximately HK$256,000) and approximately HK$1,141,000 (31 March 2017: approximately HK$1,334,000) receivables from 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 2017 *HK$'000* **(Unaudited)**	As at 31 March 2017 *HK$'000* (Audited)
Within 30 days	**20,867**	16,114
31 to 60 days	**7,974**	18,962
61 to 90 days	**8,672**	7,349
91 to 180 days	**10,675**	8,879
Over 180 days	**9,481**	9,723
	57,669	61,027

12. TRADE AND OTHER PAYABLES

	As at 30 September 2017 *HK$'000* (Unaudited)	As at 31 March 2017 *HK$'000* (Audited)
Trade payables	**32,808**	21,208
Accrued expenses	**5,232**	8,065
Other payables	**3,239**	5,898
Deposits received	**5,311**	9,165
	46,590	44,336

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 2017 *HK$'000* (Unaudited)	As at 31 March 2017 *HK$'000* (Audited)
Within 30 days	**15,197**	4,900
31 to 60 days	**304**	7,426
61 to 90 days	**8,514**	3,955
91 to 180 days	**6,939**	3,629
Over 180 days	**1,854**	1,298
	32,808	21,208

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

13. ISSUED CAPITAL

	Number *'000*	**Amount** *HK$'000*
Authorised		
Ordinary shares of HK$0.001 each		
At 31 March 2017 and 30 September 2017	10,000,000	10,000

	Number *'000*	**Amount** *HK$'000*
Ordinary shares, issued and fully paid		
At 31 March 2017 and 30 September 2017	864,000	864

MANAGEMENT DISCUSSION AND ANALYSIS

Group Overview

The Group strives to serve our valuable customers better with the provision of the equipment rental-related solutions and value-added services. For the six months ended 30 September 2017 ("**1H2018**"), the overall market sentiment of the construction industry is improving in Hong Kong. However, the slowdown of business in Macau that the Group has experienced still persisted. Nevertheless, the Group has made a strategic move to explore more business opportunities overseas by establishing a wholly-owned subsidiary, AP Equipment Rentals (Singapore) Pte. Limited, in Singapore in March 2017, and has started the operations in early September 2017. Through this subsidiary, the Group will be able to expand the construction equipment trading and rental business into Southeast Asian countries. For 1H2018, the Group has invested approximately HK$60.9 million to expand its equipment fleet but also disposed of approximately HK$14.4 million (being the net book value) of aged equipment. Such rationalization progress will definitely improve the performance of the Group in long run.

For 1H2018, the Group recorded revenue of approximately HK$119.8 million, representing an increase of approximately 20.3% as compared to that of approximately HK$99.6 million for the six months ended 30 September 2016 ("**1H2017**"). For 1H2018, the Group recorded gross profit of approximately HK$28.6 million, representing an increase of approximately 17.3% as compared to that of approximately HK$24.4 million for 1H2017. The gross profit margin for 1H2018 was approximately 23.9% (1H2017: approximately 24.5%), representing a decrease of approximately 0.6 percentage points as compared to that for 1H2017. Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in 1H2018.

Net profit attributable to owners of the Company increased by approximately 120.4% from approximately HK$6.1 million in 1H2017 to approximately HK$13.4 million in 1H2018. This was primarily due to (i) increase in sales of machinery in Hong Kong; (ii) increase in operating service income; and (iii) increase in gain on disposal of equipment. The overall improvement in the business in Hong Kong has more than covered the shrinking business in Macau.

Basic earnings per share attributable to owners of the Company for 1H2018 was HK1.55 cents (1H2017: HK0.71 cent).

Business Overview

During 1H2018, the business in Hong Kong is improving due to the improvement of business sentiment and most of the key projects like the Express Railway, the Kowloon Terminus, have expedited the work progress so as to meet the deadlines. Other new projects like the Third Runway of the Hong Kong International Airport (the "**Third Runway**") and the Tseung Kwan O-Lam Tin Tunnel (the "**TKO-LT Tunnel**"), are moving out from the initial stage of development with more and more demands being captured by the Group. The improvement in business sentiment in Hong Kong has given a great boost to the machinery trading business of the Group. The Group is expected to make further improvement in the other business lines in Hong Kong, especially in rental business. However, for Macau, the Group still experienced a downward trend in the results of both the trading and rental businesses.

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, remained relatively stable at approximately HK$73.0 million compared to that of approximately HK$73.6 million in 1H2017.

As mentioned above, the Group's rental business in Macau continued to decline in 1H2018, which decline was mostly off-set by an increase in rental income in Hong Kong, resulting in an overall stable rental income.

Rental income from rental services accounted for approximately 60.9% of the Group's total revenue for 1H2018 (1H2017: approximately 73.9%).

(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 1H2018, revenue from equipment operating services increased by approximately 18.6% to approximately HK$12.8 million (1H2017: approximately HK$10.8 million), and accounted for approximately 10.7% of the Group's total revenue for 1H2018 (1H2017: approximately 10.9%). The increase in operating service income for 1H2018 was attributable to the great demand for operators by sizable construction companies in Hong Kong.

(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 stable and amounted to approximately HK$5.8 million for 1H2018 (1H2017: approximately HK$5.8 million). The Group's other service income accounted for approximately 4.9% of the Group's total revenue for 1H2018 (1H2017: approximately 5.8%).

(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 increasing demand for construction equipment, the revenue from sales of machinery and spare parts increased significantly by approximately 200.7% from approximately HK$9.4 million in 1H2017 to approximately HK$28.1 million for 1H2018, and which accounted for approximately 23.5% of the Group's total revenue for 1H2018 (1H2017: approximately 9.4%).

Outlook

The Group expects the Hong Kong market to remain as the Group's major market. The "Ten Major Infrastructure Projects", such as the Express Rail Hong Kong section and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities, shall come to final stage that would stimulate more demand for construction equipment. Looking forward, the Finance Committee of the Legislative Council has approved the funding application of the construction of the Central Kowloon Route in October 2017 with estimated project cost amounting to HK$42.4 billion. The Central Kowloon Route is a 4.7 km long road in Central Kowloon that will connect the Yau Ma Tei Interchange in West Kowloon with the road network to Kai Tak Development and Kowloon Bay in East Kowloon. Furthermore, a project funding of HK$31.9 billion regarding the Kai Tak Sports Park project was also approved by the Finance Committee of the Legislative council in June 2017. The project aims to commence construction of the sports park in mid 2018 and completion is estimated to be in 2022. The Group believes that the equipment rental market will continue to expand in the future due to the above mentioned local major projects, the Third Runway and the TKO-LT Tunnel. For Macau, we believe that in near future, the demand for construction equipment will remain low due to the completion of major casino projects. Nevertheless, the Group will continue to monitor any new business opportunities in Macau since we believe that in long run, the demand of construction equipment in Macau will still pick up due to the needs to improve its infrastructure, like drainage. Lastly, we will also keep an eye on any possible business opportunities in respect of expansion of the business in South East Asia countries lying along the "Belt & Road", being stated in the PRC's "Belt and Road" strategy.

In terms of business operation, we are confident in the prospects of the rental market in Hong Kong. During the six-month ended 30 September 2017, the Group has invested approximately HK$60.9 million to expand its equipment fleet. We will continue to invest in 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. In addition, we will expand our product range to consolidate our market leading position. We will also expedite our equipment replacement programme so as to bring down the average age of our equipment fleet and to increase the overall utilization rate.

FINANCIAL REVIEW

Revenue

For 1H2018, the Group recorded an increase in revenue of approximately HK$20.2 million, with the total revenue amounting to approximately HK$119.8 million for 1H2018, representing an increase of approximately 20.3% as compared to that of approximately HK$99.6 million for 1H2017. The increase in revenue mainly resulted from the increase in sales of machinery and increase in operating service income in Hong Kong.

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$91.2 million for 1H2018, representing a period-on-period increase of approximately 21.3% (1H2017 approximately HK$75.2 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 90.5% of the Group's total cost of sales in 1H2018.

Among the four major items under cost of sales, the Group recorded a decrease of approximately 24.3% in machinery hiring expenses during the period under review, since more owned fleet were rented out to the customers. However, staff costs increased by approximately 15.3% due to an increase in the demand for the Group's operators by the market, which led to the increase in number of operators. Annual increment of the wage during 1H2018 also contributed to part of the increase. Depreciation increased by approximately 30.6% period-on-period mainly due to new additions of plant and machinery as a result of the expansion of the Group's equipment fleet. Costs for machinery and parts increased by approximately 280.1% due to the increase in machinery sale in 1H2018.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 17.3% from approximately HK$24.4 million for 1H2017 to approximately HK$28.6 million for 1H2018 and the Group's gross profit margin remained relatively stable at approximately 23.9% for 1H2018 (1H2017: approximately 24.5%). The slight decrease in gross profit margin was due to the increase in depreciation charged on the machinery.

Other Income

The Group recorded other income amounting to approximately HK$1.6 million in 1H2018 (1H2017: approximately HK$2.3 million), which represented a decrease of approximately 30.8% from 1H2017. The decrease was due to a decrease in sundry income of approximately HK$0.9 million in 1H2018 when compared to 1H2017.

Other Gains and Losses

Other gains and losses amounted to approximately HK$5.6 million in 1H2018 (1H2017: approximately HK$0.4 million), representing an increase of approximately 1,388.8% over 1H2017.

Due to strong demand for construction equipment in Hong Kong, including used equipment and the Group's intention to reduce the average age of its equipment fleet, we disposed of some aged equipment and recorded a gain on disposal of equipment amounting to approximately HK$6.5 million (1H2017: approximately HK$0.5 million).

Administrative Expenses

For 1H2018, administrative expenses amounted to approximately HK$18.6 million (1H2017: approximately HK$17.0 million), representing an increase of approximately 9.5% over 1H2017. The increase in administrative expenses was mainly due to increase in staff costs, rent expenses and professional fees upon the operation of the Singapore subsidiary. Staff costs were increased further as a result of annual salary increment during 1H2018.

Listing Expenses

The Group did not record any listing expenses in 1H2018 (1H2017: approximately HK$1.1 million).

Finance cost

Finance costs comprised interest on the Group's borrowings and finance leases, which amounted to approximately HK$0.6 million for 1H2018 (1H2017: approximately HK$1.4 million). The decrease was attributable to the repayment of loans, resulting in savings of interest expenses during the period under review.

Profit and Total Comprehensive Income for 1H2018

The Group recorded net profit of approximately HK$13.4 million for 1H2018 (1H2017: approximately HK$6.1 million), representing a net profit margin of approximately 11.2% (1H2017: approximately 6.1%). The increase in net profit in 1H2018 was mainly due to the increase in gain on disposal of equipment and increase in gross profit, as explained above.

Capital Expenditure

The Group's capital expenditures in 1H2018 primarily comprised expenditures on plant and machinery and motor vehicles, amounting to a total of approximately HK$63.9 million (year ended 31 March 2017: approximately HK$68.3 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 95.3% of the total capital expenditure for 1H2018.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 30 September 2017, the Group had bank balances and cash equivalents of approximately HK$53.2 million (31 March 2017: approximately HK$45.0 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$27.1 million (31 March 2017: approximately HK$33.8 million) that were mainly denominated in Hong Kong Dollars and in Japanese Yen.

As at 30 September 2017, the Group had banking facilities of approximately HK$52.4 million (31 March 2017: approximately HK$62.8 million), of which approximately HK$21.6 million (31 March 2017: approximately HK$32.0 million) had been drawn down, and approximately HK$30.8 million (31 March 2017: approximately HK$30.8 million) were unutilised.

As the sum of cash and cash equivalents exceeded the sum of banking facilities, borrowings and obligations under finance leases, the gearing ratio of the Group was nil as at 30 September 2017 (31 March 2017: nil), 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 and borrowings.

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 2017, the Group had no material contingent liabilities (31 March 2017: Nil).

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries or associates during 1H2018.

Significant Investments

As at 30 September 2017, the Group did not have any significant investments.

Capital Commitments

As at 30 September 2017, the Group had capital commitments of approximately HK$4.3 million (31 March 2017: approximately HK$12.0 million) to acquire plant and equipment for the Group.

Pledge of Assets

Deposit placed for a life insurance policy of approximately HK$2.6 million as at 30 September 2017 (31 March 2017: approximately HK$2.6 million), plant and machinery of approximately HK$29.7 million as at 30 September 2017 (31 March 2017: approximately HK$33.0 million), a certificate of deposit of nil (31 March 2017: approximately HK$6.0 million) and bank deposits of approximately HK$0.4 million (31 March 2017: approximately HK$2.4 million) have been pledged to secure the Group's borrowings of approximately HK$22.8 million (31 March 2017: approximately HK$33.8 million).

Human Resources and Employees' Remuneration

As at 30 September 2017, the Group had 162 employees (31 March 2017: 170 employees), of which 153 employees were in Hong Kong (31 March 2017: 162 employees), 6 employees were in Macau (31 March 2017: 6 employees) and 3 employees were in Singapore (31 March 2017: 2 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 1H2018 amounted to approximately HK$27.4 million (1H2017: approximately HK$23.5 million). The increase in staff cost was mainly due to salary increment and the increase in headcount of operators (whilst the headcount of our administrative staff decreased) to cater for 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 30 September 2017, no share option has been granted or agreed to be granted under the Scheme.

OTHER INFORMATION

Corporate Governance Practices

The Company recognises the importance of corporate transparency and accountability. The Company is committed in achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

In 1H2018, 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.

Corporate governance practices of the Company in 1H2018 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 2017.

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 in 1H2018.

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

In 1H2018, 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 1H2018 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 HK0.68 cent per share for the year ending 31 March 2018 to be payable to shareholders whose names appear on the register of members of the Company on 15 December 2017.

The interim dividend will be paid on or around 3 January 2018.

Closure of register of members

The register of members of the Company will be closed from 13 December 2017 to 15 December 2017, 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 12 December 2017 to qualify for the interim dividend mentioned above.

Publication of Interim Report

The interim report of the Company for 1H2018 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, 28 November 2017

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. Lu Tao 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.