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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2018	2017	
	HK$'000	*HK$'000*	*Change in %*
Revenue	**225,261**	200,491	12.4
Gross profit	**57,246**	46,391	23.4
Profit for the year	**21,081**	11,971	76.1
Earnings per share			
Basic (HK cents)	**2.44**	1.41	
Gross profit margin	**25.4%**	23.1%	
Net profit margin	**9.4%**	6.0%	
Return on equity	**8.6%**	5.1%	
Final dividend per share (HK cent)	**0.35**	0.28	

* *For identification purposes only*

RESULTS

The board of directors (the "**Board**") of AP Rentals Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2018 together with comparative figures of 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Revenue	*4*	**225,261**	200,491
Cost of sales and services		**(168,015)**	(154,100)
Gross profit		**57,246**	46,391
Other income	*5*	**3,863**	4,768
Other gains and losses	*6*	**7,153**	1,956
Administrative expenses		**(40,929)**	(34,363)
Listing expenses		**–**	(1,111)
Finance costs	*7*	**(1,036)**	(2,358)
Profit before tax		**26,297**	15,283
Income tax expense	*8*	**(5,216)**	(3,312)
Profit for the year	*9*	**21,081**	11,971
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(45)**	–
Total comprehensive income for the year		**21,036**	11,971
Earnings per share			
— Basic (HK cents)	*11*	**2.44**	1.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current Assets			
Property, plant and equipment		**197,853**	192,763
Deposit placed for a life insurance policy		**2,656**	2,565
		200,509	195,328
Current Assets			
Inventories		**7,168**	12,583
Trade receivables, deposits and prepayments	*12*	**64,232**	63,540
Investment in certificate of deposit		**–**	6,047
Pledged bank deposits		**360**	2,360
Bank deposit with original maturity over three months		**–**	10,038
Bank deposits with original maturity less than three months		**21,000**	–
Bank balances and cash		**40,397**	44,960
		133,157	139,528
Current Liabilities			
Trade and other payables	*13*	**37,910**	44,336
Tax liabilities		**2,733**	808
Obligations under finance leases		**–**	45
Borrowings — due within one year		**19,439**	33,802
		60,082	78,991
Net Current Assets		**73,075**	60,537
Total Assets less Current Liabilities		**273,584**	255,865

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current Liabilities			
Deferred tax liabilities		**26,769**	22,433
Borrowings — due after one year		**641**	–
		27,410	22,433
Net Assets		**246,174**	233,432
Capital and Reserves			
Issued capital	*14*	**864**	864
Reserves		**245,310**	232,568
Total Equity		**246,174**	233,432

NOTES:

1. GENERAL

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 June 2015. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 8 April 2016. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 15, 19/F Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The Company acts as an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Lease* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. 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:

	2018	2017
	HK$'000	*HK$'000*
Leasing income of machinery	**144,383**	143,121
Sales of machinery and parts	**41,081**	17,612
Operating service income	**25,153**	26,512
Other service income	**14,644**	13,246
	225,261	200,491

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 year ended 31 March 2018

	Leasing *HK$'000*	**Trading** *HK$'000*	**Total** *HK$'000*
Revenue			
Segment revenue from external customers	**184,050**	**41,211**	**225,261**
Results			
Segment results	**49,615**	**9,710**	**59,325**
Unallocated income			**873**
Unallocated expenses			**(33,901)**
Consolidated profit before tax of the Group			**26,297**

For the year ended 31 March 2017

	Leasing *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Revenue			
Segment revenue from external customers	182,528	17,963	200,491
Results			
Segment results	38,065	5,142	43,207
Unallocated income			982
Unallocated expenses			(28,906)
Consolidated profit before tax of the Group			15,283

Segment results represent the profit earned by each segment without allocation of interest income, sundry 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 year ended 31 March 2018

	Leasing	**Trading**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Allowance for doubtful debts recognised, net	**1,210**	**–**	**–**	**1,210**
Depreciation of property, plant and equipment	**47,600**	**24**	**2,084**	**49,708**
Gain on disposal of property, plant and equipment	**8,938**	**4**	**–**	**8,942**

For the year ended 31 March 2017

	Leasing	Trading	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Allowance for doubtful debts recognised, net	168	–	–	168
Depreciation of property, plant and equipment	39,280	11	1,817	41,108
Gain on disposal of property, plant and equipment	2,268	–	–	2,268

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.

	2018	2017
	HK$'000	*HK$'000*
External revenue:		
Hong Kong	**212,932**	179,849
Macau	**12,329**	20,642
	225,261	200,491

The Group's non-current assets based on the geographical location of the owners of these assets are as follows:

	Non-current assets *(Note)*	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**183,969**	190,200
Macau	**11,763**	2,554
Singapore	**2,121**	9
	197,853	192,763

Note: Non-current assets excluded deposit placed for a life insurance policy.

Information about major customers

Revenue from customer during the year contributing over 10% of the total revenue of the Group is as follows:

	2018 *HK$'000*	2017 *HK$'000*
Customer A	**N/A** *(Note)*	25,606

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Interest income from:		
— bank deposits	**63**	438
— investment in bonds and certificate of deposit	**5**	42
— deposit placed for a life insurance policy	**91**	93
Storage income	**1,726**	1,555
Sundry income	**1,978**	2,640
	3,863	4,768

6. OTHER GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000*
Allowance for doubtful debts recognised, net	**(1,210)**	(168)
Exchange loss, net	**(579)**	(144)
Gain on disposal of property, plant and equipment	**8,942**	2,268
	7,153	1,956

7. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interest on borrowings	**1,035**	2,350
Interest on finance leases	**1**	8
	1,036	2,358

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**539**	–
Macau Complementary Income Tax	**341**	1,232
	880	1,232
Underprovision in prior years	**–**	31
Deferred taxation	**4,336**	2,049
	5,216	3,312

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for taxation in Hong Kong had been made in prior year as the Group had no assessable profits in Hong Kong.

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 years. During the years ended 31 March 2017 and 2018, no dividend was paid by the subsidiary registered in Macau.

9. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Auditor's remuneration	**1,745**	1,521
Cost of inventories recognised as expenses	**26,664**	9,659
Depreciation of property, plant and equipment	**49,708**	41,108
Directors' emoluments	**7,425**	6,428
Other staff costs:		
— Salaries, allowances and other benefits	**47,513**	44,261
— Retirement benefits scheme contributions	**2,076**	1,788
	49,589	46,049
Total staff costs	**57,014**	52,477
Operating lease rentals in respect of rented premises	**4,859**	3,646

10. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Dividend recognised as distributions of the Company during the year		
2017 Final — HK cent 0.28 (2017: 2016 Final — nil) per share	**2,419**	–
2018 Interim — HK cent 0.68 (2017: 2017 Interim HK cent 0.28) per share	**5,875**	2,419
	8,294	2,419

11. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**21,081**	11,971

	Number of shares	
	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**864,000**	847,955

Note: The calculation of the basic earnings per share for both years is based on the profit attributable to owners of the Company using the weighted average number of shares of in issue during the year.

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

12. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**66,918**	65,395
Less: Allowance for doubtful debts	**(5,534)**	(4,368)
	61,384	61,027
Deposits and prepayments	**2,848**	2,513
	64,232	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 31 March 2018, included in trade receivables are HK$119,000 (2017: HK$256,000), HK$2,320,000 (2017: HK$1,334,000) and HK$790,000 (2017: nil) receivables from a shareholder, a subsidiary of a shareholder of the Company and a related 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:

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**12,638**	16,114
31 to 60 days	**18,246**	18,962
61 to 90 days	**7,776**	7,349
91 to 180 days	**13,230**	8,879
Over 180 days	**9,494**	9,723
	61,384	61,027

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**19,008**	21,208
Accrued expenses	**9,885**	8,065
Other payables	**7,127**	5,898
Deposits received	**1,890**	9,165
	37,910	44,336

As at 31 March 2018, included in trade payables is HK$14,652,000 (2017: HK$18,889,000) payable to a subsidiary of a shareholder of the Company.

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

	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**3,379**	4,900
31 to 60 days	**7,420**	7,426
61 to 90 days	**2,915**	3,955
91 to 180 days	**3,055**	3,629
Over 180 days	**2,239**	1,298
	19,008	21,208

The credit period on trade payables is ranging from 0 to 180 days (2017: 0 to 180 days).

14. ISSUED CAPITAL

	Number of shares	Share capital
		HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 April 2016, 31 March 2017 and 31 March 2018	10,000,000,000	10,000
Issued and fully paid or credited as fully paid:		
At 1 April 2016	27,378,000	27
Issue of shares upon capitalisation *(Note i)*	685,422,000	686
Issue of shares pursuant to the initial public offering *(Note ii)*	151,200,000	151
At 31 March 2017 and 31 March 2018	864,000,000	864

Notes:

i. 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 approximately HK$686,000 standing to the credit of the share premium account of the Company.

ii. On 8 April 2016, 151,200,000 ordinary shares of HK$0.001 each were issued at a price of HK$0.75 by way of initial public offering. On the same day, the Company's shares were listed on the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group is a leading equipment rental service company in Hong Kong. The principal activities of the Group encompass the provision of equipment rental-related solutions and value-added services to customers. The Group owns and maintains a strong rental fleet of over 1,950 units of equipment as at 31 March 2018 and also rents equipment from its suppliers, mainly from its shareholder and strategic partner, Kanamoto Co., Ltd., which is one of the leading construction equipment rental groups in Japan.

The Group strives to serve our valuable customers better with the provision of the equipment rental-related solutions and value-added services. For the year ended 31 March 2018 ("**FY2018**"), the overall market sentiment of the construction industry is improving in Hong Kong. The slowdown of business in Macau of the Group reached its bottom during the year but has started to show signs of improvement. The Group has also started transferring some rental equipment to our wholly-owned subsidiary, AP Equipment Rentals (Singapore) Pte. Limited ("**AP Singapore**"), in Singapore, in early 2018. Through this subsidiary, the Group will be able to expand the construction equipment trading and rental business into Southeast Asian countries. In FY2018, the Group has invested approximately HK$76.4 million to expand its equipment fleet but also disposed of approximately HK$24.6 million (being the net book value) of aged equipment. Such rationalization progress will improve the performance of the Group in long run.

BUSINESS OVERVIEW

During FY2018, the business in Hong Kong improved primarily due to the improvement in business sentiment and that most of the key projects like the Express Railway, the Kowloon Terminus, have expedited the work progress so as to meet their respective 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**"), moved past initial stage of development with more and more demands being captured by the Group. The improvement in business sentiment in Hong Kong has also given a great boost to the machinery trading business of the Group. The Group had made some improvement in rental business in Hong Kong. However, for business in Macau, the Group still experienced a downward trend in the results of both the trading and rental businesses but has reached its bottom and started regaining some momentum.

The Group's revenue for FY2018 increased by approximately 12.4% to approximately HK$225.3 million as compared to that of approximately HK$200.5 million for the year ended 31 March 2017 ("**FY2017**"). The Group's gross profit increased by approximately 23.3% from approximately HK$46.4 million in FY2017 to approximately HK$57.2 million in FY2018, with gross profit margin at approximately 25.4% (FY2017: approximately 23.1%). The Group's net profit increased by approximately 75.8% from approximately HK$12.0 million for FY2017 to approximately HK$21.1 million for FY2018. The increase in net profit was mainly due to (i) increase in trading income and (ii) gain on disposal of the Group's equipment.

PROSPECTS

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 ("**HZMB**") Hong Kong Boundary Crossing Facilities, shall come to final stage that would stimulate more demand for construction equipment. During the year, the Finance Committee of the Legislative Council in Hong Kong 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 Kai Tak Sports Park project aims to commence construction in mid 2018 and completion is estimated to be in 2022. In early 2018, the Group has already rented our equipment for work sites of the Central Kowloon Route — Yau Ma Tei East. In addition, the HKSAR government is scheduled to apply for the fund approval through the Finance Committee of the Legislative Council for fundamental construction related projects in amount of approximately HK$170 billion within the 2018–2019 legislative session. Nevertheless, the recent news related to the quality problems in the Shatin to Central Link project might affect the speed of approving the fund through the Finance Committee.

On the other hand, the Group expected that keen competition, especially in rental price, will continue in the year ending 31 March 2019 ("**FY2019**") with the Express Rail Hong Kong section and the HZMB projects are approaching the completion stage. The Group would foresee a drop in rental demands in the first and the second quarters of FY2019 but would gradually improve in the remaining quarters as the Group expects to increase its participation in those key projects, namely Central Kowloon Route, the Kai Tak Sports Park, the Third Runway and the TKO-LT Tunnel.

In light of the above, 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 the Group's business in 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. The Group has provided more types of equipment for the Macau's market but at the same time withdrawing some types of equipment that have a lower demand. We believe that in long run, the demand of construction equipment in Macau will 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 Southeast 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 FY2018, the Group has invested approximately HK$76.4 million to expand its equipment fleet. The Group will continue to invest in and improve its 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 its competitiveness. In addition, the Group will expand its product range to consolidate its market leading position. The Group will also expedite its equipment replacement programme so as to bring down the average age of its equipment fleet and to increase the overall utilization rate. Certainly, the Group will further enhance its strengths in providing rental solutions to its key customers.

FINANCIAL REVIEW

Revenue

For FY2018, the Group recorded total revenue of approximately HK$225.3 million, representing an increase of approximately 12.4% as compared to the total revenue of approximately HK$200.5 million for FY2017. The increase in revenue mainly resulted from the increase in sales of machinery and spare parts.

(i) Rental income of machinery

During FY2018, 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, slightly increased by approximately 0.9% to approximately HK$144.4 million for FY2018 (FY2017: approximately HK$143.1 million). Rental income from rental services accounted for approximately 64.1% of the Group's total revenue for FY2018. The increase in rental income from Hong Kong was almost offset by the decrease in rental income from Macau, which was the result of the slowdown of business in Macau.

(ii) Operating service income

The Group offers equipment operating services in Hong Kong by sending equipment operators to operate the equipment at the job sites of its customers. For FY2018, revenue from equipment operating services decreased by approximately 4.9% to approximately HK$25.2 million (FY2017: approximately HK$26.5 million), and accounted for approximately 11.2% of the Group's total revenue for FY2018. The decrease in operating service income was attributable to the drop in demand for operators by sizable construction companies in Hong Kong.

(iii) Other service income

The Group's other service income, which arise from rental arrangements including repair, maintenance and technical support services during the rental period, increased by 10.6% and amounted to approximately HK$14.6 million for FY2018 (FY2017: approximately HK$13.2 million). The Group's other service income accounted for approximately 6.5% of the Group's total revenue for FY2018.

(iv) Sales of machinery and spare parts

To complement the Group's equipment rental solutions, the Group sources new and used equipment and spare parts from different suppliers for on-selling to customers. Due to the increase in demand for construction equipment, the Group's revenue from sales of machinery and spare parts increased by 133.5% year-on-year to approximately HK$41.1 million, (FY2017: approximately HK$17.6 million), which accounted for approximately 18.2% of the Group's total revenue for FY2018.

Cost of Sales

The Group's cost of sales amounted to approximately HK$168.0 million for FY2018 (FY2017: approximately HK$154.1 million), representing a year-on-year increase of approximately 9.0%. 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 88.2% of the Group's total cost of sales in FY2018 (FY2017: approximately 87.3%).

Among the four major items under cost of sales, the Group recorded a decrease of approximately 23.2% in machinery hiring expenses during FY2018, owing to the fact that the market is now looking for new and advanced machines, therefore the Group have purchased more new machines instead of hiring machines from its suppliers to satisfy the market need. Staff costs slightly decreased by approximately 1.1% over last year, mainly due to the combined effect of (i) the decrease in demand of operators from customers that was in line with the slight decrease in operating service income as described above; and (ii) the effect of annual increment in wage and payment of discretionary bonus. Depreciation increased by approximately 22.1% year-on-year mainly due to additions of new and advanced machinery to satisfy the market demand. Costs for machinery and parts increased by approximately 176.1% following the increase in sales of our machinery and spare parts.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 23.3% from approximately HK$46.4 million for FY2017 to approximately HK$57.2 million for FY2018. The Group's gross profit margin was approximately 25.4% for FY2018 (FY2017: approximately 23.1%). The increase in the gross profit margin was primarily due to the decrease in the machinery hiring expenses as explained above in "Cost of Sales" and the increase in sales of machinery and spare parts.

Other Income

The Group recorded other income amounting to approximately HK$3.9 million in FY2018 (FY2017: approximately HK$4.8 million), which represented a decrease of approximately 18.8% from FY2017. The decrease was mainly due to a decrease in sundry income of approximately HK$0.7 million in FY2018 as compared to that of FY2017.

Other Gains and Losses

Other gains and losses amounted to approximately HK$7.2 million in FY2018 (FY2017: approximately HK$2.0 million), representing an increase of approximately HK$5.2 million over FY2017.

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, the Group disposed of certain aged equipment and recorded a gain on disposal of plant and motor vehicles amounting to approximately HK$8.9 million in FY2018 (FY2017: approximately HK$2.3 million). However, the Group also recorded an allowance for doubtful debts recognised, net, of HK$1.2 million in FY2018 (FY2017: approximately HK$0.2 million).

Administrative Expenses

For FY2018, administrative expenses amounted to approximately HK$40.9 million (FY2017: approximately HK$34.4 million), representing an increase of approximately 18.9% over last year. The increase in administrative expenses was mainly due to (i) increase in salary expenses which amounted to HK$3.5 million (owing to annual salary increment and payment of discretionary bonus to motivate staff and salary of AP Singapore); (ii) increase in directors' emoluments which amounted to HK$1.0 million (mainly owing to discretionary bonus for two executive directors and provision for their unused annual leave) and (iii) increase in marketing and promotional expenses which amounted to HK$2.2 million to further promote our equipment rental-related solutions to the market. In October 2017, the Group held an event called the "Time Capsule" for promoting new products and its advanced equipment rental solutions to its target customers.

Listing Expenses

The Group did not record any listing expenses in FY2018 (FY2017: approximately HK$1.1 million).

Finance cost

Finance costs comprised interest on the Group's borrowings and finance leases, which amounted to approximately HK$1.0 million for FY2018 (FY2017: approximately HK$2.4 million). The decrease was due to the decrease in Group's borrowings during the year.

Total Comprehensive Income for the Year

The Group recorded total comprehensive income of approximately HK$21.0 million for FY2018 (FY2017: approximately HK$12.0 million), which represented approximately 9.3% of the revenue (FY2017: approximately 6.0%), where the increase was mainly due to the reasons illustrated above.

Capital Expenditure

The Group's capital expenditures primarily comprised expenditures on plant and machinery, leasehold improvements and motor vehicles, amounting to approximately HK$80.3 million for FY2018 (FY2017: 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 95.1% of the total capital expenditure for FY2018.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations, borrowings and finance leases. As at 31 March 2018, the Group had cash and cash equivalents of approximately HK$61.4 million (as at 31 March 2017: approximately HK$45.0 million) that were mainly denominated in Hong Kong Dollars, Japanese Yen, United States Dollars, Singapore Dollars and Macau Pataca, and had borrowings of approximately HK$20.1 million (as at 31 March 2017: approximately HK$33.8 million) that were mainly denominated in Hong Kong Dollars.

As at 31 March 2018, the Group had banking facilities of approximately HK$58.1 million (as at 31 March 2017: approximately HK$62.8 million), of which approximately HK$17.3 million (as at 31 March 2017: approximately HK$32.0 million) had been drawn down, and approximately HK$40.8 million (as at 31 March 2017: approximately HK$30.8 million) were unutilised.

As at 31 March 2018, the gearing ratio of the Group was nil (as at 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.

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 and Singapore Dollars. Payments received by the Group from its customers are mainly denominated in Hong Kong Dollars and Macau Pataca.

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 31 March 2018, the Group had no material contingent liabilities (as at 31 March 2017: Nil).

Material Acquisitions and Disposals of Subsidiaries, Associated Companies and Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2018 (FY2017: Nil).

Capital Commitments and Future Plans for Material Investments or Capital Assets

As at 31 March 2018, the Group has capital commitments of approximately HK$1.5 million (as at 31 March 2017: approximately HK$12.0 million), to acquire plant and equipment for the Group. The source of funding for this capital commitments would be financed by the Group's internal resources.

Pledge of Assets

Deposit placed for a life insurance policy of approximately HK$2.7 million as at 31 March 2018 (as at 31 March 2017: approximately HK$2.6 million), property, plant and machinery of approximately HK$25.0 million as at 31 March 2018 (as at 31 March 2017: approximately HK$33.0 million), and bank deposit of approximately HK$0.4 million (as at 31 March 2017: approximately HK$2.4 million) have been pledged to secure the Group's borrowings of approximately HK$18.0 million (as at 31 March 2017: approximately HK$33.8 million).

Human Resources and Employees' Remuneration

As at 31 March 2018, the Group had 132 employees (as at 31 March 2017: 170 employees), of which 124 employees are in Hong Kong (as at 31 March 2017: 162 employees), 5 employees are in Macau (as at 31 March 2017: 6 employees) and 3 employees are in Singapore (as at 31 March 2017: 2 employees). The decrease in number of employees was mainly due to the lower number of operators hired in Hong Kong as a result of the decrease in demand of the market. Please refer to the header "Revenue", Sub-header "Operating service income" under this section for further details. 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, make contributions to provident funds and provides other benefits to the employees. The total staff cost, including remuneration, compensation for annual leave, other benefits and contributions to retirement schemes for the directors of the Company and other staff of the Group for FY2018 amounted to approximately HK$57.0 million (FY2017: approximately HK$52.5 million). The increase in staff cost was mainly due to increase in salary expenses (owing to annual salary increment and payment of discretionary bonus to motivate staff) and directors' emoluments (owing to discretionary bonus for two executive directors and provision for their unused annual leave).

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

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 2016, the Company has engaged an international consulting firm (the "**Consultant**") to oversee and recommend appropriate actions so as to ensure that the Company is complying with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in relation to corporate governance before and after listing. During the year under review, the Company improved its corporate governance practices continuously with reference to the Consultant's recommendations. Moreover, the Company has adopted its corporate governance practices which are reproduced from the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules.

During the year ended 31 March 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**"), save and except for the deviation from code provision A.2.1.

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.

Compliance with the Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers ("**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 fully complied with the required standard set out in the Model Code during the year ended 31 March 2018.

Subsequent Acquisition of Machinery

On 23 May 2018, AP Rentals Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with a company incorporated in Singapore which supplies engine-driven generators, welders and air compressors, for the acquisition of 36 units of silent type diesel generators at the total consideration of JPY246,305,455 (equivalent to approximately HK$17,495,076) to enable the Group to expand its equipment fleet to satisfy the increasing demand for equipment with higher emission standards following the implementation of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the laws of Hong Kong). Details of the transaction is set out in the announcement published by the Company dated 23 May 2018.

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

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Review by Audit Committee

The annual results of the Group for the year ended 31 March 2018 have been reviewed by the audit committee of the Company.

Dividend

The Board recommends the payment of a final dividend of HK0.35 cent per share for the year ended 31 March 2018. The book close period for the final dividend will be from 29 August 2018 to 31 August 2018 (both days inclusive). The final dividend will be paid to the Shareholders whose names appear on the register of members of the Company as at the close of business on 31 August 2018, if the proposal is approved by the Shareholders at the forthcoming Annual General Meeting of the Company. It is expected that the final dividend will be paid on or around 11 September 2018.

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting ("**AGM**") of the Company to be held on 23 August 2018, the register of members of the Company will be closed from 20 August 2018 to 23 August 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 17 August 2018.

Publication of the Results Announcement and Annual Report

This results announcement is published on the Company's website at http://www.aprentalshk.com/en/investor_relations/announcement/index.html, and the website of the Stock Exchange.

The annual report of the Company for the year ended 31 March 2018 will also be available at the respective websites of the Company and the Stock Exchange and will be despatched to shareholders of the Company in late July.

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

Hong Kong, 26 June 2018

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina, one Non-executive Director, namely Mr. Lu Tao and three Independent Non-executive Directors, namely Mr. Ho Chung Tai, Raymond, Mr. Siu Chak Yu and Mr. Li Ping Chi.