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 2018

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**69,822**	119,778
Gross profit	**12,466**	28,612
Profit and total comprehensive income for the period	**195**	13,413
Profit margin (ratio of profit and total comprehensive income to revenue)	**0.3%**	11.2%
Earnings per share		
Basic (HK cents)	**0.02**	1.55
Interim dividend per share (HK cents)	**–**	0.68

* *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 2018 together with its comparative figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3A*		
Leasing income of machinery		**56,116**	72,989
Sale of machinery and parts		**2,622**	28,122
Operating service income		**6,090**	12,845
Other service income		**4,994**	5,822
Total Revenue		**69,822**	119,778
Cost of sales and services		**(57,356)**	(91,166)
Gross profit		**12,466**	28,612
Other income	*4*	**2,903**	1,576
Other gains and losses	*5*	**3,180**	5,598
Administrative expenses		**(17,691)**	(18,603)
Finance costs	*6*	**(354)**	(563)
Profit before tax		**504**	16,620
Income tax expense	*7*	**(233)**	(3,207)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(76)**	–
Profit and total comprehensive income	*8*	**195**	13,413
Earnings per share			
— Basic (HK cents)	*9*	**0.02**	1.55

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Non-current Assets			
Property, plant and equipment		**203,974**	197,853
Deposit placed for a life insurance policy		**2,683**	2,656
		206,657	200,509
Current Assets			
Inventories		**11,588**	7,168
Trade receivables, deposits and prepayments	*11*	**46,164**	64,232
Pledged bank deposit		**360**	360
Bank deposits with original maturity less than three months		**26,000**	21,000
Bank balances and cash		**30,207**	40,397
		114,319	133,157
Current Liabilities			
Trade and other payables	*12&2.1.2*	**37,315**	37,910
Contract liabilities	*2.1.2*	**510**	–
Tax liabilities		**2,612**	2,733
Borrowings — due within one year		**10,198**	19,439
		50,635	60,082
Net Current Assets		**63,684**	73,075
Total Assets less Current Liabilities		**270,341**	273,584

	NOTES	As at 30 September 2018 HK$'000 (Unaudited)	As at 31 March 2018 HK$'000 (Audited)
Non-current Liabilities			
Deferred tax liabilities		**26,996**	26,769
Borrowings — due after one year		**–**	641
		26,996	27,410
Net Assets		**243,345**	246,174
Capital and Reserves			
Issued capital	*13*	**864**	864
Reserves		**242,481**	245,310
Total Equity		**243,345**	246,174

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2018 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 2018, 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 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 *Insurance Contracts*
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations. HKFRS 15 applies to all contracts with customers except for leases within the scope of HKAS 17 *Leases*.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognises revenue from:

(i) Rental income (under HKAS 17);

(ii) Sale of machinery and parts (under HKAS 18); and

(iii) Operating and other service income (under HKAS 18).

2.1.2 Summary of effects arising from initial application of HKFRS 15

The following tables summaries the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 1 April 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2018	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 April 2018**
	HK\$'000	*HK\$'000*	*HK\$'000*
Current liabilities			
Trade and other payables *(Note 12)*	1,890	(1,315)	575
Contract liabilities *(Note)*	–	1,315	1,315

Note:

1. As at 1 April 2018, deposits received from customers comprise deposits from rental service, sale of machinery and sale of parts. According to HKFRS 15, we have restated the amount and reclassify the deposits from sale of machinery and parts to contract liabilities.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 September 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK\$'000	*HK\$'000*	*HK\$'000*
Current liabilities			
Trade and other payables *(Note 12)*	685	510	1,195
Contract liabilities	510	(510)	–

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

During the current interim period, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018, if any are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including other receivables, loan receivables, pledged bank deposits, and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case, interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised as at 1 April 2018.

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

3A. REVENUE

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:

	Trading *HK$'000* (unaudited)	Leasing *HK$'000* (unaudited)
Leasing income of machinery	–	56,116
Sales of machinery and parts	2,622	–
Operating service income	–	6,090
Other service income	16	4,978
Total	2,638	67,184
Geographical Markets		
Hong Kong	2,368	61,382
Macau	270	5,802
Total	2,638	67,184
Timing of revenue recognition		
A point in time	2,622	–
Over time	16	11,068
Leasing income of machinery	–	56,116
Total	2,638	67,184

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.

3B. SEGMENT INFORMATION

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 2018 (Unaudited)

	Leasing *HK$'000*	**Trading** *HK$'000*	**Total** *HK$'000*
Revenue			
Segment revenue from external customers	**67,184**	**2,638**	**69,822**
Results			
Segment results	**13,891**	**720**	**14,611**
Unallocated income			**145**
Unallocated expenses			**(14,252)**
Consolidated profit before tax of the Group			**504**

For the six months ended 30 September 2017 (Unaudited)

	Leasing *HK$'000*	Trading *HK$'000*	Total *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 tax of the Group			16,620

Segment results represent the profit earned by each segment without allocation of interest income, sundry income, corporate income 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 2018 (Unaudited)

	Leasing *HK$'000*	**Trading** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment results:				
Reversal of allowance for doubtful debts recognised, net	**(162)**	**–**	**–**	**(162)**
Depreciation of property, plant and equipment	**23,150**	**1**	**940**	**24,091**
Gain on disposal of property, plant and equipment	**(3,008)**	**–**	**–**	**(3,008)**

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)

4. OTHER INCOME

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from		
— bank deposits	**135**	54
— investment in certificate of deposit	**–**	5
— deposit placed for a life insurance policy	**27**	48
Storage income	**833**	884
Sundry income	**1,908**	585
	2,903	1,576

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Reversal of/(allowance) for doubtful debts recognised, net	**162**	(435)
Exchange gain/(loss), net	**10**	(497)
Gain on disposal of property, plant and equipment	**3,008**	6,530
	3,180	5,598

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**354**	562
Interest on finance leases	**–**	1
	354	563

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	**–**	2,079
Macau Complementary Income Tax	**6**	210
	6	2,289
Deferred taxation	**227**	918
	233	3,207

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods. However, the two-tiered profits tax rates regime is implemented from 1 April 2018 onwards. The profits tax rate for the first HK$2 million of profits of corporations is lower to 8.25 per cent. Profits above that amount is subject to the tax rate of 16.5 per cent.

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	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit and total comprehensive income has been arrived at after charging:		
Directors' emoluments	**3,210**	3,207
Other staff costs:		
— Salaries, allowances and other benefits	**17,805**	23,270
— Retirement benefits scheme contributions	**746**	965
	18,551	24,235
Total staff costs	**21,761**	27,442
Auditor's remuneration	**908**	852
Cost of inventories recognised as expenses	**957**	20,408
Depreciation of property, plant and equipment	**24,091**	25,133
Operating lease rentals in respect of rented premises	**2,359**	2,419

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
Earnings for the purpose of basic earnings per share	**195**	13,413
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**864,000,000**	864,000,000

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 final dividend in respect of the year ended 31 March 2018 of HK0.35 cent per share of HK$3,024,000 in total was approved at the annual general meeting and paid during the current interim period (six months ended 30 September 2017: HK$2,419,200).

11. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Trade receivables	**47,215**	66,918
Less: Allowance for doubtful debts	**(4,295)**	(5,534)
	42,920	61,384
Deposits and prepayments	**3,244**	2,848
	46,164	64,232

The Group allows an average credit period of 0 to 75 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 2018, included in trade receivables are Nil (31 March 2018: approximately HK$119,000), approximately HK$3,306,000 (31 March 2018: approximately HK$2,320,000) and HK$300,000 (31 March 2018: approximately HK$790,000) 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:

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Within 30 days	**16,075**	12,638
31 to 60 days	**5,157**	18,246
61 to 90 days	**5,964**	7,776
91 to 180 days	**7,482**	13,230
Over 180 days	**8,242**	9,494
	42,920	61,384

12. TRADE AND OTHER PAYABLES

	As at 30 September 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Trade payables	**21,818**	19,008
Accrued expenses	**11,434**	9,885
Other payables	**3,378**	7,127
Deposits received	**685**	1,890
	37,315	37,910

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 2018 *HK$'000* **(Unaudited)**	As at 31 March 2018 *HK$'000* (Audited)
Within 30 days	**4,377**	3,379
31 to 60 days	**5,147**	7,420
61 to 90 days	**5,634**	2,915
91 to 180 days	**4,834**	3,055
Over 180 days	**1,826**	2,239
	21,818	19,008

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 2018 and 30 September 2018	10,000,000	10,000

	Number *'000*	**Amount** *HK$'000*
Ordinary shares, issued and fully paid		
At 31 March 2018 and 30 September 2018	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 2018 ("**1H2019**"), the Group recorded decline in trading income and a decrease in leasing income due to the completion of the Express Rail Hong Kong section ("**Express Rail HK**") and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities ("**HZMB**"). Furthermore, the spike of trade war between the US and China has inevitably led to poor economic and business sentiments, and thus would definitely affect the decision in making any investment. The business of the Group in Macau also recorded a small decline while the business of the Group in Singapore has just begun.

However, the Group has always had our strategies for striving long term success. As such, in 1H2019, the Group has invested on new, advanced and specific machines, including generators and articulated boom lifts, amounting to approximately HK$37.2 million. On the other hand, we continued our disposal of under-performed and aged machines with their cost at book amounting to approximately HK$18.2 million. Such measures will definitely improve our competitiveness in the market and can enable the Group to provide more value-adds to our customers. As a result, the Group needs not be heavily involved in the price war in the rental market. We should always be a solution-provider.

For 1H2019, the Group recorded revenue of approximately HK$69.8 million, representing a decrease of approximately 41.7% as compared to that of approximately HK$119.8 million for the six months ended 30 September 2017 ("**1H2018**"). For 1H2019, the Group recorded gross profit of approximately HK$12.5 million, representing a decrease of approximately 56.3% as compared to that of approximately HK$28.6 million for 1H2018. The gross profit margin for 1H2019 was approximately 17.9% (1H2018: approximately 23.9%), representing a decrease of approximately 6 percentage points as compared to that for 1H2018. Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in 1H2019.

Net profit attributable to owners of the Company decreased by approximately 98.5% from approximately HK$13.4 million in 1H2018 to approximately HK$0.2 million in 1H2019. This was primarily due to (i) decrease in sales of machinery and parts in Hong Kong; (ii) decrease in operating service income; (iii) decrease in gain on disposal of equipment; and (iv) decrease in leasing income of machinery and other service income. In short, the Group has recorded a decrease in net profit in its businesses in Hong Kong and Macau.

Basic earnings per share attributable to owners of the Company for 1H2019 was HK0.02 cent (1H2018: HK1.55 cent).

BUSINESS OVERVIEW

During 1H2019, the overall market sentiment of the construction industry is deteriorating in Hong Kong. The main reasons were that the Express Rail HK and HZMB were approaching the completion stage, which heavily affected the Group's performance on rental business. Despite the fact that other key projects, namely Central Kowloon Route, the Kai Tak Sports Park, Third Runway of the Hong Kong International Airport (the "**Third Runway**") and the Tseung Kwan O-Lam Tin Tunnel (the "**TKO-LT Tunnel**") have been launched, the demands for rental equipment have not increased materially and thus could not fill back the decrease in rental income caused by the return of rental machines from the Express Rail HK and the HZMB projects. Even worse, problems of the Shatin to Central Link have affected its progress and thus also affected the demands on machines. For the trading business, the further interest hikes in the US and Hong Kong during 1H2019 and the spike of the trade war between the US and China have threatened the global economy. As a result, the economy sentiments in Hong Kong are deteriorating, which inevitably hit our trading business. Nevertheless, for our business in Hong Kong, we believe that we should have touched the bottom and an improvement is expected in the latter months of the year.

For the business in Macau, we still recorded a slight decrease in total revenue in 1H2019. For the business in Singapore, we have just started to make some rental business so as to test the market and so only a negative result could be reported in 1H2019.

OUTLOOK

The Group expects the Hong Kong market to remain as the Group's major market. Despite the fact that most of the Ten Major Infrastructure Projects have been completed, the HKSAR government still keeps up its investment in Hong Kong for sustaining a long term growth. Recently, our HKSAR Chief Executive has also delivered the Chief Executive's 2018 Policy Address (the "**2018 Policy Address**") to the public. She has expressed clearly that continuous investment in infrastructure in Hong Kong is essential for leading the growth of Hong Kong. In the 2018 Policy Address, the concept of "Lantau Tomorrow" has definitely demonstrated the intention and the long term direction of the HKSAR government. Land reclamation would be one of the key methods for increasing land supply for the continuous development of Hong Kong in the coming decades. Obviously, the size of investment might be a key point for debate but land reclamation should be inevitable in the near future and it is only the size of reclamation that should be discussed. Basically, reclamation work has begun on Lantau Island, such as the Tung Chung new town extension work. As such, the Group is enthusiastic over the continuous development of the infrastructure in Hong Kong and its speed and strength should be fast and strong. The Group would be well-prepared to support and invest for the growth of Hong Kong if Hong Kong is strengthening its competitiveness by making appropriate investment on its infrastructure.

In the coming months, the Group believes that more demands on machines would be generated from existing key projects like the Third Runway, Tung Chung new town extension, the Kai Tak Sports Park and the Kowloon Central Route, and the Group is expected to be benefited from that in the coming months and our revenue lines in Hong Kong should then be improved gradually. For our business in Macau, the Group has provided more types of equipment for Macau's market and we expect that this can gradually improve our performance in Macau in long run.

FINANCIAL REVIEW

Revenue

For 1H2019, the Group recorded a decrease in revenue of approximately HK$50.0 million, with the total revenue amounting to approximately HK$69.8 million for 1H2019, representing a decrease of approximately 41.7% as compared to that of approximately HK$119.8 million for 1H2018. The decrease in revenue mainly resulted from the decrease in all segments of business of the Group.

(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, Macau and Singapore, decreased to approximately HK$56.1 million compared to that of approximately HK$73.0 million in 1H2018.

As mentioned above, the Group's rental business in Hong Kong and Macau continued to decline in 1H2019 due to the reasons mentioned in the section headed "Business Review" above.

Rental income from rental services accounted for approximately 80.4% of the Group's total revenue for 1H2019 (1H2018: approximately 60.9%). The increase of the above percentage was led by the decline in the sales of machinery and parts in 1H2019.

(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 1H2019, revenue from equipment operating services decreased by approximately 52.3% to approximately HK$6.1 million (1H2018: approximately HK$12.8 million), and accounted for approximately 8.7% of the Group's total revenue for 1H2019 (1H2018: approximately 10.7%). The decrease in operating service income for 1H2019 was attributable to the shrinking in demand for operators by sizable construction companies in Hong Kong upon the completion of various key projects 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, recorded a decrease and amounted to approximately HK$5.0 million for 1H2019 (1H2018: approximately HK$5.8 million). The Group's other service income accounted for approximately 7.2% of the Group's total revenue for 1H2019 (1H2018: approximately 4.9%).

(iv) Sales of machinery and spare parts

Due to the poor economic sentiment globally, the demand for construction equipment declined. The revenue from sales of machinery and spare parts decreased significantly by approximately 90.7% from approximately HK$28.1 million in 1H2018 to approximately HK$2.6 million for 1H2019, which accounted for approximately 3.8% of the Group's total revenue for 1H2019 (1H2018: approximately 23.5%).

Cost of Sales

The Group's cost of sales amounted to approximately HK$57.4 million for 1H2019, representing a period-on-period decrease of approximately 37.1% (1H2018: approximately HK$91.2 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 87.9% of the Group's total cost of sales in 1H2019.

Among the four major items under cost of sales, the Group recorded a decrease of approximately 30.6% in machinery hiring expenses during the period under review, since more owned fleet were rented out to the customers and the decrease in the demand for machines. Staff costs decreased by approximately 31.5% due to decrease in the demand for the Group's operators by the market, which led to the decrease in number of operators required. Depreciation decreased by approximately 3.6% period-on-period mainly due to decrease in the investment on machinery while the Group continued the disposal of aged and under-performed machines in 1H2019. Costs for machinery and parts decreased by approximately 95.3% due to the decrease in machinery sale in 1H2019.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 56.4% from approximately HK28.6 million for 1H2018 to approximately HK$12.5 million for 1H2019 and the Group's gross profit margin recorded a decline to approximately 17.9% for 1H2019 (1H2018: approximately 23.9%). The decrease in gross profit margin was due to the decrease in rental income for machines and decrease in revenue from sales of machinery while only a slight decrease in depreciation was recorded in 1H2019. At a result, the percentage of the depreciation to the revenue increased to approximately 33.4% for 1H2019 (1H2018: approximately 20.2%).

Other Income

The Group recorded other income amounting to approximately HK$2.9 million in 1H2019 (1H2018: approximately HK$1.6 million), which represented an increase of approximately 84.2% from 1H2018. The increase was due to an increase in sundry income of approximately HK$1.3 million in 1H2019 when compared to 1H2018. The increase was contributed by the increase in commission income of the Group in 1H2019.

Other Gains and Losses

Other gains and losses amounted to approximately HK$3.2 million in 1H2019 (1H2018: approximately HK$5.6 million), representing a decrease of approximately 42.9% over 1H2018.

Due to poor demand for the construction equipment in Hong Kong, including used equipment, the proceeds generated from the disposal of plant were reduced and a gain on disposal of plant and equipment of approximately HK$3.0 million was recorded in 1H2019 (1H2018: approximately HK$6.5 million). However, the Group recorded an exchange gain of approximately HK$0.01 million in 1H2019 while it was an exchange loss of approximately HK$0.5 million in 1H2018. The Group also recorded a reversal of doubtful debts recognised, net, of approximately HK$0.2 million in 1H2019 while it was an allowance for doubtful debts recognized, net, of approximately HK$0.4 million in 1H2018.

Administrative Expenses

For 1H2019, administrative expenses amounted to approximately HK$17.7 million (1H2018: approximately HK$18.6 million), representing a decrease of approximately 4.8% over 1H2018. The decrease in administrative expenses was mainly due to decrease in staff costs, compliance fee, professional fees and system improvement expenses.

Finance cost

Finance costs comprised interest on the Group's borrowings, which amounted to approximately HK$0.4 million for 1H2019 (1H2018: approximately HK$0.6 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 1H2019

The Group recorded profit attributable to owners of the Company of approximately HK$0.2 million for 1H2019 (1H2018: approximately HK$13.4 million), representing a profit margin of approximately 0.3% (1H2018: approximately 11.2%). The decrease in profit attributable to owners of the Company in 1H2019 was mainly due to the decrease in all revenue lines while the depreciation under the cost of sales did not decrease materially, as explained above.

Capital Expenditure

The Group's capital expenditures in 1H2019 primarily comprised expenditures on machinery and office equipment, amounting to a total of approximately HK$37.4 million (year ended 31 March 2018: approximately HK$80.3 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 99.5% of the total capital expenditure for 1H2019.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 30 September 2018, the Group had bank balances and cash equivalents of approximately HK$56.2 million (as at 31 March 2018: approximately HK$61.4 million) that were mainly denominated in Hong Kong Dollars, Japanese Yen, Macau Pataca ("**MOP**"), Singapore Dollars and United States Dollars, and had borrowings of approximately HK$10.2 million (as at 31 March 2018: approximately HK$20.1 million) that were mainly denominated in Hong Kong Dollars and in Japanese Yen.

As at 30 September 2018, the Group had banking facilities of approximately HK$49.2 million (as at 31 March 2018: approximately HK$58.1 million), of which approximately HK$8.4 million (as at 31 March 2018: approximately HK$17.3 million) had been drawn down, and approximately HK$40.8 million (as at 31 March 2018: approximately HK$40.8 million) were unutilised.

As at 30 September 2018, the gearing ratio of the Group was nil (as at 31 March 2018: 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, Singapore Dollars and United States Dollars. Payments received by the Group from its customers are mainly denominated in Hong Kong Dollars, MOP, Singapore Dollars and United States Dollars.

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

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

There were no material acquisitions or disposals of subsidiaries or associates during 1H2019.

Significant Investments

As at 30 September 2018, the Group did not have any significant investments.

Capital Commitments

As at 30 September 2018, the Group had capital commitments of approximately HK$8.4 million (as at 31 March 2018: approximately HK$1.5 million) to acquire plant and equipment for the Group.

Pledge of Assets

As at 30 September 2018, deposit placed for a life insurance policy of approximately HK$2.7 million (as at 31 March 2018: approximately HK$2.7 million), plant and machinery of approximately HK$14.4 million as at 30 September 2018 (as at 31 March 2018: approximately HK$25.0 million), and bank deposits of approximately HK$0.4 million (as at 31 March 2018: approximately HK$0.4 million) have been pledged to secure the Group's borrowings of approximately HK$8.9 million (as at 31 March 2018: approximately HK$18.0 million).

Segmental Information

Segmental information is presented for the Group as disclosed in note 3A and 3B to the condensed consolidated interim financial information above.

Human Resources and Employees' Remuneration

As at 30 September 2018, the Group had 118 employees (as at 31 March 2018: 132 employees), of which 108 employees were in Hong Kong (as at 31 March 2018: 124 employees), 5 employees were in Macau (as at 31 March 2018: 5 employees) and 5 employees were in Singapore (as at 31 March 2018: 3 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 1H2019 amounted to approximately HK$21.8 million (1H2018: approximately HK$27.4 million). The decrease in staff cost was mainly due to the decrease in headcount of operators and drivers due to decrease of 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 obtain 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 2018, 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 1H2019, 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 1H2019 are in line with those practices set out in the Corporate Governance Report in the Company's annual report for the year ended 31March 2018.

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 1H2019.

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

In 1H2019, 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 1H2019 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 does not recommend the payment of an interim dividend for the year ending 31 March 2019.

Publication of Interim Report

The interim report of the Company for 1H2019 containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the website of The Stock Exchange of Hong Kong Limited (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 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.