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 2020

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2020	2019	
	HK$'000	*HK$'000*	*Change in %*
Revenue	**145,787**	146,110	(0.2%)
Gross profit	**16,090**	26,164	(38.5%)
Loss for the year	**(19,679)**	(2,523)	680%
Loss per share			
Basic (HK cents)	**(2.28)**	(0.29)	
Gross profit margin	**11.0%**	17.9%	
Loss margin	**(13.5%)**	(1.7%)	
Return on equity	**(8.9%)**	(1.0%)	

* *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 2020 together with comparative figures of 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** ***HK$'000***	2019 *HK$'000*
Revenue	*4*		
Goods and services		**44,096**	34,024
Leasing of machineries		**101,691**	112,086
Total revenue		**145,787**	146,110
Cost of sales and services		**(129,697)**	(119,946)
Gross profit		**16,090**	26,164
Other income	*5*	**2,508**	4,193
Other gains and losses	*6*	**4,965**	5,250
Impairment loss recognised on property, plant and equipment		**(2,525)**	–
Impairment losses recognised on lease receivables and trade receivables, net		**(5,600)**	(1,181)
Administrative expenses		**(34,845)**	(34,927)
Selling and distribution expenses		**(1,197)**	(1,368)
Finance costs	*7*	**(1,202)**	(513)
Loss before tax		**(21,806)**	(2,382)
Income tax credit (expense)	*8*	**2,127**	(141)
Loss for the year	*9*	**(19,679)**	(2,523)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(111)**	(82)
Total comprehensive expense for the year		**(19,790)**	(2,605)
Loss per share — basic (HK cents)	*11*	**(2.28)**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Non-current Assets			
Property, plant and equipment		**234,643**	221,246
Right-of-use assets		**7,224**	–
Deposits paid for acquisition of property, plant and equipment	*12*	**421**	–
Rental deposits	*12*	**650**	–
Deposit placed for a life insurance policy		**2,760**	2,725
Deferred tax assets		**123**	167
		245,821	224,138
Current Assets			
Inventories		**25,311**	12,134
Trade and other receivables, deposits and prepayments	*12*	**43,462**	43,577
Pledged bank deposit		**360**	360
Bank deposits with original maturity less than three months		**–**	15,000
Bank balances and cash		**29,955**	36,847
		99,088	107,918
Current Liabilities			
Trade and other payables and accrued charges	*13*	**37,335**	45,391
Contract liabilities		**13,233**	563
Receipts in advance		**412**	529
Tax liabilities		**74**	643
Borrowings — due within one year		**23,164**	17,461
Lease liabilities		**2,907**	–
		77,125	64,587
Net Current Assets		**21,963**	43,331
Total Assets less Current Liabilities		**267,784**	267,469

	Notes	**2020**	2019
		HK$'000	*HK$'000*
Non-current Liabilities			
Trade payable	*13*	**12,358**	–
Deferred tax liabilities		**25,901**	26,924
Loans from a related company		**4,393**	–
Lease liabilities		**4,377**	–
		47,029	26,924
Net Assets		**220,755**	240,545
Capital and Reserves			
Issued capital	*14*	**864**	864
Reserves		**219,891**	239,681
Total Equity		**220,755**	240,545

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 806A, 8th Floor, Tower II, South Seas Centre, No. 75, Mody Road, 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts. Elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has elected not to recognise any lease liabilities nor right-of-use assets at 1 April 2019 upon application of HKFRS 16 as the remaining lease terms of its leases amounting to HK$150,000 which are disposed as operating lease contracts as at 31 March 2019 are ended with twelve months from 1 April 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[5]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 April 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the annual reporting period beginning on or after 1 April 2020.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 April 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

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 except for the deposit placed for a life insurance policy that is measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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 ("HKFRS 2")*, leasing transactions that are within the scope of HKFRS 16 (since 1 April 2019) or HKAS 17 (before application of HKFRS 16), 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred. The excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 April 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 *Financial Instruments* ("HKFRS 9") would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2020					
	Sales of machinery and parts *HK$'000*	**Lease related operating services** *HK$'000*	**Repair and maintenance service** *HK$'000*	**Delivery service** *HK$'000*	**Installation service** *HK$'000*	**Total** *HK$'000*
Geographical markets						
Hong Kong	**27,555**	**7,430**	**2,478**	**4,417**	**843**	**42,723**
Macau	**24**	**–**	**49**	**308**	**–**	**381**
Other	**15**	**958**	**6**	**13**	**–**	**992**
Total	**27,594**	**8,388**	**2,533**	**4,738**	**843**	**44,096**
Timing of revenue recognition						
A point in time	**27,594**	**–**	**2,533**	**4,738**	**–**	**34,865**
Over time	**–**	**8,388**	**–**	**–**	**843**	**9,231**
Total	**27,594**	**8,388**	**2,533**	**4,738**	**843**	**44,096**

	For the year ended 31 March 2019					
	Sales of machinery and parts *HK$'000*	Lease related operating services *HK$'000*	Repair and maintenance service *HK$'000*	Delivery service *HK$'000*	Installation service *HK$'000*	Total *HK$'000*
Geographical markets						
Hong Kong	10,154	10,150	2,373	8,603	1,135	32,415
Macau	395	3	7	534	30	969
Other	–	624	2	14	–	640
Total	10,549	10,777	2,382	9,151	1,165	34,024
Timing of revenue recognition						
A point in time	10,549	–	2,382	9,151	–	22,082
Over time	–	10,777	–	–	1,165	11,942
Total	10,549	10,777	2,382	9,151	1,165	34,024

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Segment revenue	
	2020	2019
	HK$'000	*HK$'000*
Lease related operating services and other services	**16,502**	23,475
Trading	**27,594**	10,549
Revenue from contracts with customers	**44,096**	34,024
Leasing of machinery	**101,691**	112,086
Total revenue	**145,787**	146,110

(ii) Performance obligations for contracts with customers

Sales of machinery and parts

Revenue from sales of machinery and parts is from contracts with customers and recognised at a point in time when the customer obtains control of the goods.

Revenue is recognised when control of the goods has transferred, being when the goods have been accepted by the customer. The customer has full discretion over the usage of the goods, and has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 30 days upon invoice issued.

The Group normally receives 10% to 40% of the contract value as deposits from customers when it signs the sale and purchase agreement. The deposits will be recognised as revenue when the customer obtains control of the machinery.

All the sales of machinery and parts are completed within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Lease related 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. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The normal credit term is 0 to 45 days upon invoice issued. The invoice is issued upon the completion of service.

The contract periods for lease related operating service are one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Lease related other service income

The Group's other service income, which arise from rental arrangements including repair, maintenance, installation and delivery services. Revenue from delivery is recognised when the goods have been delivered to the customer's specific location. Revenue from repair and maintenance service are recognised when the service rendered is completed. Revenue from installation service is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The normal credit term is 0 to 45 days upon invoice issued. The invoice is issued upon the completion of service.

The contract periods for lease related other services are one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iii) Leases

	2020
	HK$'000
For operating leases:	
Lease payments that are fixed	101,691

For the year ended 31 March 2020, there is no contingent rental recognised.

(b) Segment information

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, repair and maintenance service, delivery service and installation service

Trading — Sales of machinery and parts, and delivery service

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

Segment revenue and results

For the year ended 31 March 2020

	Leasing	**Trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Segment revenue from external customers	**118,193**	**27,594**	**145,787**
Results			
Segment results	**6,652**	**1,888**	**8,540**
Unallocated income			**209**
Unallocated expenses			**(30,555)**
Consolidated loss before tax of the Group			**(21,806)**

For the year ended 31 March 2019

	Leasing *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Revenue			
Segment revenue from external customers	135,561	10,549	146,110
Results			
Segment results	23,684	1,740	25,424
Unallocated income			362
Unallocated expenses			(28,168)
Consolidated loss before tax of the Group			(2,382)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of certain interest income and sundry income, exchange loss, certain sundry 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.

The chief operating decision maker makes decisions according to operating results of each segment. No analysis of 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 2020

	Leasing ***HK$'000***	**Trading** ***HK$'000***	**Unallocated** ***HK$'000***	**Total** ***HK$'000***
Impairment loss recognised on plant and equipment	**2,525**	**–**	**–**	**2,525**
Impairment losses recognised on lease receivables and trade receivables, net	**5,113**	**487**	**–**	**5,600**
Depreciation of property, plant and equipment	**55,854**	**12**	**1,380**	**57,246**
Depreciation of right-of-use assets	**1,382**	**–**	**81**	**1,463**
Gain on disposal of property, plant and equipment	**5,435**	**–**	**–**	**5,435**

For the year ended 31 March 2019

	Leasing *HK$'000*	Trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Impairment losses recognised for lease receivables and trade receivables, net	1,027	154	–	1,181
Depreciation of property, plant and equipment	49,457	5	1,471	50,933
Gain on disposal of property, plant and equipment	5,348	–	–	5,348

Geographical information

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

	2020	2019
	HK$'000	*HK$'000*
External revenue:		
Hong Kong	**134,927**	133,716
Macau	**8,516**	11,408
Others	**2,344**	986
	145,787	146,110

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

	2020	2019
	HK$'000	*HK$'000*
Non-current assets:		
Hong Kong	**211,199**	210,032
Macau	**8,107**	5,843
Others	**23,632**	5,371
	242,938	221,246

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

Information about major customers

There are no customers contributing over 10% of the total revenue of the Group during both years.

5. OTHER INCOME

	2020	2019
	HK$'000	*HK$'000*
Interest income from:		
— bank deposits	**147**	327
— deposit placed for a life insurance policy	**96**	96
Storage income	**1,712**	1,677
Sundry income	**553**	2,093
	2,508	4,193

6. OTHER GAINS AND LOSSES

	2020	2019
	HK$'000	*HK$'000*
Exchange loss, net	**(470)**	(98)
Gain on disposal of property, plant and equipment	**5,435**	5,348
	4,965	5,250

7. FINANCE COSTS

	2020	2019
	HK$'000	*HK$'000*
Interest on borrowings	**975**	513
Interest on lease liabilities	**140**	–
Imputed interest on loans from a related company	**87**	–
	1,202	513

8. INCOME TAX CREDIT (EXPENSE)

	2020	2019
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**–**	–
Macau Complementary Income Tax	**–**	153
	–	153
Deferred taxation	**(2,127)**	(12)
	(2,127)	141

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits for both years.

For the subsidiary registered in Singapore which is subject to Singapore income tax at 17% (2019: 17%). No provision for Singapore income tax had been made as it had no assessable profits for both years.

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. No provision for Macau Complementary Income Tax had been made as it had no assessable profits for the current year.

For subsidiary registered in China, under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%.

9. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,905**	1,883
Cost of inventories recognised as expenses	**17,868**	5,668
Depreciation of property, plant and equipment	**57,246**	50,933
Depreciation of right-of-use assets	**1,463**	–
Write-down of inventories	**536**	–
Staff costs:		
Directors' emoluments	**6,749**	6,660
Other staff costs:		
— Salaries, allowances and other benefits	**33,224**	34,008
— Retirement benefits scheme contributions	**1,402**	1,477
	34,626	35,485
Total staff costs	**41,375**	42,145
Operating lease rentals in respect of rented premises — minimum lease payments	**–**	5,113

Note: The Group has established the MPF Scheme for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions recognised in profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 (2019: HK$30,000) per month.

The eligible employees of the Company's subsidiaries in the Macau, Singapore and the PRC are members of pension schemes operated respective local governments. The subsidiary in Macau is required to contribute MOP60 for every employee per month while the subsidiary in Singapore is required to contribute 16% of the employee's monthly gross salary. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

The total costs charged to profit or loss for the year of HK$1,474,000 (2019: HK$1,549,000), comprised HK$72,000 and HK$1,402,000 (2019: HK$72,000 and HK$1,477,000) in directors' emoluments and other staff costs respectively, and represented contributions paid or payable to the schemes by the Group in respect of the current year. At the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

10. DIVIDEND

Dividend recognised as distributions of the Company during the year ended 31 March 2019 represented final dividend for the year ended 31 March 2018 of HK cent 0.35 per share, totalling HK$3,024,000 in aggregate.

No final dividend has been proposed for the year ended 31 March 2020.

11. LOSS PER SHARE

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

	2020	2019
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(19,679)**	(2,523)
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**864,000**	864,000

Note: The calculations of the basic loss per share for both years are based on the loss attributable to owners of the Company using the number of shares in issue during the year.

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

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	HK$'000	*HK$'000*
Lease receivables from:		
— outsiders	**42,436**	42,228
— a subsidiary of a shareholder of the Company	**768**	1,314
— a related company	**429**	697
Less: Allowance for credit loss	**(11,637)**	(6,524)
	31,996	37,715
Trade receivables from contracts with customers	**5,161**	2,026
Less: Allowance for credit loss	**(678)**	(191)
	4,483	1,835
Other receivables	**50**	194
Value added tax recoverable	**1,169**	–
Rental deposits paid	**1,052**	540
Other deposits and prepayments	**5,783**	3,293
	44,533	43,577
Analysed as:		
Current	**43,462**	43,577
Non-current — Deposits paid for acquisition of property, plant and equipment	**421**	–
Non-current — rental deposits	**650**	–
	44,533	43,577

As at 1 April 2018, trade receivables from contracts with customers amounted to HK$4,678,000.

The following is an aged analysis of lease receivables and trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period:

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**8,656**	10,341
31 to 60 days	**14,792**	12,538
61 to 90 days	**2,506**	4,759
91 to 180 days	**6,318**	6,108
Over 180 days	**4,207**	5,804
	36,479	39,550

As at 31 March 2020, included in the Group's lease receivables and trade receivables balances were debtors with aggregate carrying amount of HK$28,552,000 (2019: HK$31,107,000) which were past due at the end of the reporting period. Out of the past due balances as at 31 March 2020, HK$9,320,000 (2019: HK$13,590,000) has been past due 90 days or more and are not considered as in default as debtors normally will settle the outstanding balances after 90 days overdue with reference to the debtors settlement pattern. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2020	2019
	HK$'000	*HK$'000*
Trade payables *(Note a)*	**37,177**	33,438
Accrued expenses *(Note b)*	**9,560**	7,604
Other payables *(Note c)*	**2,956**	4,349
	49,693	45,391
Analysed as:		
Current	**37,335**	45,391
Non-current		
— trade payable to a subsidiary of a shareholder of the Company	**12,358**	–
	49,693	45,391

Notes:

(a) As at 31 March 2020, included in trade payables is HK$21,669,000 (2019: HK$10,179,000) payable to a subsidiary of a shareholder of the Company. Except for a trade payable of HK$18,475,000 carrying on an interest rate of 3.6% per annum and payable by 36 monthly instalments from 25 March 2020, other trade payables are under normal credit term granted by suppliers.

(b) As at 31 March 2020, included in accrued expenses are mainly accrued staff costs of HK$5,047,000 (2019: HK$4,812,000).

(c) As at 31 March 2020 and 2019, included in other payables are mainly professional fee payable, insurance payable and other utility payable.

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

	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**20,818**	9,588
31 to 60 days	**5,045**	12,257
61 to 90 days	**499**	7,173
91 to 180 days	**9,505**	1,737
Over 180 days	**1,310**	2,683
	37,177	33,438

The credit period on trade payables is ranging from 0 to 180 days (2019: 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 2018, 31 March 2019 and 31 March 2020	10,000,000,000	10,000
Issued:		
At 1 April 2018, 31 March 2019 and 31 March 2020	864,000,000	864

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 2,250 units of equipment as at 31 March 2020 and also rents equipment from its suppliers, mainly from its shareholder and strategic partner, Kanamoto Co., Ltd. ("**KJC**"), 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 2020 ("**FY2020**"), the Group recorded a loss for the year of approximately HK$19.7 million as compared to the loss for the year of approximately HK$2.5 million for year ended 31 March 2019 ("**FY2019**"). The increase in loss for the year for FY2020 is mainly attributable to:

1. the change in the mix of the revenue lines in FY2020 as compared to that of FY2019, which is mainly a result of:

    (i) the decrease in leasing of machinery by around 9.3%, which is mainly due to:

    - the poor economic sentiment due to the trade war between the United States of America (the "**US**") and China;
    - completion of large casino projects in Macau;
    - the demand for the key project, the Third Runway of the Hong Kong International Airport (the "**Third Runway**"), being far below that expected due to the unexpected delay of its progress;
    - the above reasons thus leading to reduction in demand for machinery and then price competition in Hong Kong and Macau; and
    - the outbreak of Coronavirus disease 2019 (the "**COVID-19**") since January 2020, which has then become a pandemic; and had halted the Group's leasing business in the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan for the purpose of this announcement) ("**PRC**") in February 2020 and affected those in March 2020;

    (ii) the decrease in operating service income of around 22.2%, which is due to the shrinking in demand for operators upon the completion of various key projects in Hong Kong, including the Express Rail Hong Kong section (the "**Express Rail**") and the Hong Kong-Zhuhai-Macao Bridge Hong Kong Boundary Crossing Facilities (the "**HKZMB**"), and the shift of the Group's focus due to its inherent risk in employing and managing the operators;

(iii) the decrease in other service income of around 36.1%, which mainly contributed by the decrease of the income from transportation; and

(iv) an increase in sales of machinery and spare parts by around 161.6% was recorded in FY2020 when compared to that of FY2019, as the Group sold more machines overseas.

2. a decline of around 38.5% in the overall gross profit margin as compared to that of FY2019, which is mainly a result of:

   (i) price competition due to the reasons mentioned in paragraph 1(i) above;

   (ii) written off of the aged construction equipment in the Group's stock amounted to approximately HK$536,000 (FY2019: nil) after considering the deterioration of the global economy due to the outbreak of COVID-19; and

   (iii) increase in depreciation expenses due to continuous investment in advanced machines and the acquisition of 亞積邦建設工程機械(上海)有限公司 (AP Rentals (Shanghai) Limited*) ("**AP Shanghai**") (formerly known as Ajax Pong (Shanghai) Limited), which became a wholly-owned subsidiary of the Company upon completion of the acquisition. AP Shanghai is principally engaging in the construction equipment rental services business in the PRC;

3. the increase in expected credit loss of the Group because the default risk has increased globally due to the outbreak of COVID-19;

4. no commission income was recognised for provision of service to Kanamoto (HK) Co., Ltd, ("**KHK**") which is a wholly-owned subsidiary of one of the Company's shareholders, KJC in FY2020 (FY2019: approximately HK$1.7 million); and

5. impairment loss recognised on rental machinery amounted to approximately HK$2.5 million (FY2019: nil).

However, the Group has implemented strategies to strive for long term success. As such, in FY2020, the Group has invested in new, advanced and specific machines, including the generators for our newly introduced auto power system ("**APS**") in the Smart System in Mobile Electricity ("**SSME**"), crawler cranes and excavator amounting to approximately HK$68.8 million (FY2019: approximately HK$91.8 million). On the other hand, we continued our disposal of approximately HK$15.9 million (being the net book value) of aged machines. Such measures will definitely improve our competitiveness in the market and enable the Group to provide more value-adds to our customers in long run. As a result, the Group will not be heavily involved in the price war in the rental market. We would continue to be a solution-provider. During FY2020, the Group has acquired AP Shanghai on 20 September 2019, which provides a way for the Group to penetrate into the PRC market despite the fact that its result was greatly affected by the outbreak of COVID-19. A minor net loss of approximately CNY457,000 was recorded since its acquisition till 31 March 2020.

* *For identification purposes only*

For FY2020, the Group recorded revenue of approximately HK$145.8 million, representing a decrease of approximately 0.2% as compared to that of approximately HK$146.1 million for the year ended 31 March 2019 ("**FY2019**"). For FY2020, the Group recorded gross profit of approximately HK$16.1 million, representing a decrease of approximately 38.5% as compared to that of approximately HK$26.2 million for FY2019 . The gross profit margin for FY2020 was approximately 11.0% (FY2019: approximately 17.9%), representing a decrease of approximately 38.5% as compared to that for FY2019. Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in FY2020.

Loss for the year attributable to owners of the Company increased by approximately HK$17.2 million from approximately HK$2.5 million in FY2019 to approximately HK$19.7 million in FY2020.

Basic loss per share attributable to owners of the Company for FY2020 was approximately HK2.28 cents (FY2019: approximately HK0.29 cent).

BUSINESS OVERVIEW

During FY2020, the overall market sentiment of the construction industry is not good after the completion of certain key projects, namely, the Express Rail and the HKZMB. In the meantime, the Group is also affected by the delay in the progress of the Third Runway in the first half of FY2020. However, we have increased our involvement in other key projects, namely Central Kowloon Route and the Kai Tak Sports Park. In the second half of FY2020, the demands from the Third Runway began to pick up. Nevertheless, the demand on construction equipment was overall still weak and price competition is intensive due to the continuous trade war between the US and PRC and the social unrest in Hong Kong. The pandemic has significantly affected firstly the economy of PRC and later globally. In Macau, the overall demand on construction equipment remained weak after the completion of some major casino projects in early 2019. In Singapore, we have conducted a change in our business model, which led to lower administrative expenses and an increase in revenues in FY2020. However, the leasing price in relation to leasing of machines is still low, which led to gross loss margin of AP Equipment Rentals (Singapore) Pte. Ltd. ("**AP Singapore**"). Thus, there was an increase in revenue and net loss in AP Singapore has been reduced to approximately SGD0.5 million in FY2020 (FY2019: approximately SGD0.7 million). Despite the fact that the above negative factors have materially hit our business in Hong Kong, Macau, Singapore and PRC, our continuous investment in advanced equipment, generators with APS in the SSME, starts to provide some contributions to our leasing revenue, which has to some degree alleviate our pressure on price competition, which can prevent a further materially decline in our gross profit margin. Our machines with SSME have been widely used in the Kai Tak Sports Park and in the Third Runway projects. The increasing demand in used construction equipment in Southeast Asian countries have significantly boosted up our sales in construction equipment in FY2020. We had disposal proceeds of used construction equipment in FY2020.

Lastly, the management of the Company will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group for the year ending 31 March 2021.

PROSPECTS

The Hong Kong economy has been deteriorating since April 2019 and was further affected due to the continuous Trade War between the US and PRC and then the recent social unrest in Hong Kong. The COVID-19 has led to the loss of the event business in Hong Kong in the first half of 2020 and probably even for the whole 2020.

Nevertheless, recently, it was reported by the Hong Kong media that the material supply for the Third Runway has been improved continuously. There is continuous progress in the Third Runway. The Group has increased its leasing of machines for this project since the second half of FY2020. The Group expects such increase in demand of leasing machines in the Third Runway project would continue in 2020 since the contractors are trying their best effort to keep up the original time schedule for the completion of the Third Runway. Other than the Third Runway, the Group expects to increase its exposure in terms of machinery sales and leasing business in 2020 in certain key projects in Hong Kong, including the Kai Tak Sports Park and the Central Kowloon Route. In addition, the Group will continue to invest in SSME and expects to increase its revenue and profitability in the near future.

For the machinery trading business, due to the COVID-19, the whole world has experienced an unprecedented global lockdown of the economy. As the result, the Group does not expect that we can resume our trading business and our disposal of our machine overseas before August 2020. However, the Group would closely monitor any possible chances to resume our trading business and our disposal of machines overseas once it is available.

However, the Group expects to benefit from the improved demand from the aforesaid key projects in Hong Kong in near future. 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 the long run. For Singapore, due to its coronavirus lockdown starting from April 2020 (it has just lifted the lockdown in 3 phases from June 2, 2020). The business of AP Singapore has been affected. The Group will try its best to pick up the business after the uplifting of the lockdown fully in Singapore.

Lastly, in PRC, after the acquisition of AP Shanghai, the Group has started to plan for a change of the business model from depending on the leasing and sale agents of AP Shanghai to using the sale force being employed by itself starting from year 2020 so that AP Shanghai could earn more profit and has more control on its business development in the future. Unfortunately, the COVID-19 has temporarily ceased the progress but the Group will resume this strategic change in the second half of 2020. The COVID-19 has also halted its business in February 2020 and affected it badly in March and April 2020. However, in late May 2020, the PRC government has released its plans to issue CNY3.75 trillion of special local government bonds this year, up CNY1.6 trillion from the previous year, with priority given to new infrastructure, new urbanization initiatives and major projects. The Group expects that with the continuous investment by the PRC government on its infrastructure, mainly the construction of projects on 5G, express railway and new urbanization, especially for those to be implemented in Guangzhou, these will provide great chance for business growth of AP Shanghai in coming year.

FINANCIAL REVIEW

Revenue

For FY2020, the Group recorded a minor decrease in revenue of approximately HK$0.3 million, with the total revenue amounting to approximately HK$145.8 million for FY2020, representing a decrease of approximately 0.2% as compared to that of approximately HK$146.1 million for FY2019. The minor decrease in revenue mainly resulted from the decrease of revenues of all segments of business of the Group except the sales of machinery and spare parts, which has increased tremendously and has offset most of the decrease of other segments.

(i) Lease of machinery

During FY2020, 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, PRC and Singapore, decreased to approximately HK$101.7 million compared to that of approximately HK$112.1 million for FY2019.

As mentioned above, the Group's rental business in Hong Kong and Macau continued to decline in FY2020 due to the reasons mentioned in the section headed "Business Review" above.

Rental income of machinery accounted for approximately 69.8% of the Group's total revenue for FY2020 (FY2019: approximately 76.7%). The decrease of the above percentage was led by the increase in the sales of machinery and parts in FY2020.

(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 FY2020, revenue from equipment operating services decreased by approximately 22.2% to approximately HK$8.4 million (FY2019: approximately HK$10.8 million), and accounted for approximately 5.8% of the Group's total revenue for FY2020 (FY2019: approximately 7.4%). The decrease in operating service income for FY2020 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 and the shift of the Group's focus due to its inherent risk in employing and managing of the operators.

(iii) Other service income

The Group's other service income, which arises from rental arrangements including repair, transportation, maintenance and technical support services during the rental period, was approximately HK$8.1 million for FY2020 (FY2019: approximately HK$12.7 million). The decrease was mainly contributed by the decrease of the income from transportation, which was approximately HK$4.7 million for FY2020 (FY2019: approximately HK$9.2 million). The Group's other service income accounted for approximately 5.6% of the Group's total revenue for FY2020 (FY2019: approximately 8.7%).

(iv) Sales of machinery and spare parts

The Group is shifting its focus on mainly rental business to more on machinery trading business (including the disposal of the plant fleet of the Group) in FY2020. The revenue from sales of machinery and spare parts increased significantly by approximately 162.9% from approximately HK$10.5 million in FY2019 to approximately HK$27.6 million for FY2020, which accounted for approximately 18.9% of the Group's total revenue for FY2020 (FY2019: approximately 7.2%).

Cost of Sales

The Group's cost of sales amounted to approximately HK$129.7 million for FY2020, representing a year-on-year increase of approximately 8.2% (FY2019: approximately HK$119.9 million). Cost of sales mainly comprised machinery hiring expenses, staff costs for the Group's equipment operators, technicians and truck drivers, costs for machinery and parts for trading and depreciation, which together accounted for approximately 87.7% of the Group's total cost of sales in FY2020 (FY2019: approximately 86.0%).

Among the four major items under cost of sales, Staff costs decreased by approximately 1.2% due to decrease in the demand for the Group's operators by the market and the shift of our business focus as mentioned before, which led to the decrease in number of operators required. The external machinery hiring expenses were decreased by approximately 30.2% due to increase the use of the new machine of the Group. Depreciation of property, plant and equipment increased by approximately 13.2% year-on-year. The increase in total investment in machinery for rental was greater than the amount of disposed machinery, which led to the net increase in depreciation. Costs for machinery and parts increased by approximately 215.2% due to the increase in machinery sale in FY2020.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 38.5% from approximately HK$26.2 million for FY2019 to approximately HK$16.1 million for FY2020 and the Group's gross profit margin recorded a decline to approximately 11.0% for FY2020 (FY2019: approximately 17.9%). The decrease in gross profit margin was due to (i) the decrease in rental income for machines and intensive price competition for both selling and leasing of machines; (ii) an increase in depreciation due to continuous investment on advanced machines and acquisition of AP Shanghai; and (iii) written off of the aged construction equipment in the Group's stock due to the outbreak of COVID-19.

Other Income

The Group recorded other income amounting to approximately HK$2.5 million in FY2020 (FY2019: approximately HK$4.2 million), which represented a decrease of approximately 40.5% from FY2019. The decrease was due to a decrease of amount HK$1.7 million FY2020 for no commission income was recognised for the provision of services to KHK in FY2020.

Other Gains and Losses

Other gains and losses amounted to approximately HK$5.0 million in FY2020 (FY2019: approximately HK$5.3 million), representing a decrease of approximately 5.7% over FY2019.

Due to the shifting of focus (as mentioned under the paragraph headed "Sales of machinery and spare part", a gain on disposal of plant and equipment of approximately HK$5.4 million was recorded in FY2020 (FY2019: approximately HK$5.3 million). In addition, the Group recorded an exchange loss of approximately HK$0.5 million in FY2020 (FY2019: approximately HK$0.1 million).

Impairment Losses Recognised on Lease Receivables and Trade Receivables, Net and the impairment loss recognised on plant and equipment

Due to the outbreak of the COVID-19, the Group has recognised the impairment losses on lease receivables and trade receivables, net of approximately HK$5.6 million (FY2019: approximately HK$1.2 million) and the impairment loss on plant and equipment of approximately HK$2.5 million (FY2019: nil).

Administrative Expenses

For FY2020, administrative expenses amounted to approximately HK$34.8 million (FY2019: approximately HK$34.9 million), representing a decrease of approximately 0.3% over FY2019.

Selling and Distribution Expenses

For FY2020, selling and distribution expenses amounted to approximately HK$1.2 million (FY2019: approximately HK$1.4 million), representing a decrease of approximately 14.3% over FY2019. The decrease in selling and distribution expenses was mainly due to decrease in carriage outwards expenses for we used our trucks instead of using our vendors'.

Finance Cost

Finance costs comprised interest on the Group's borrowings, which amounted to approximately HK$1.2 million for FY2020 (FY2019: approximately HK$0.5 million). The increase was attributable to the addition of new loans for financing the purchase of rental machinery during FY2020.

Total Comprehensive Expense for FY2020

The Group recorded loss attributable to owners of the Company of approximately HK$19.7 million for FY2020 (FY2019: approximately HK$2.5 million, representing a loss margin of approximately (13.5)% (FY2019: approximately (1.7)%). The increase in loss attributable to owners of the Company in FY2020 was mainly due to (i) decrease in gross profit due to intensive price competition, increase in depreciation, written off of stock and change in the mix of the revenue lines; (ii) impairment losses recognised on plant and equipment, lease receivables and trade receivables due to the COVID-19; and (iii) decrease in other income.

Capital Expenditure

The Group's capital expenditures in FY2020 primarily comprised expenditures on machinery and office equipment, amounting to a total of approximately HK$69.6 million (FY2019: approximately HK$92.5 million). The vast majority of the capital expenditures were used to fund the expansion of the Group's owned rental fleet of machinery, which accounted for approximately 98.9% of the total capital expenditure for FY2020.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 31 March 2020, the Group had bank balances and cash equivalents of approximately HK$30.0 million (as at 31 March 2019: approximately HK$51.8 million) that were mainly denominated in HKD, JPY, MOP, SGD, CNY and USD, and had borrowings of approximately HK$23.2 million (as at 31 March 2019: approximately HK$17.5 million) that were mainly denominated in HKD and USD.

As at 31 March 2020, the Group banking facilities of approximately HK$55.7 million (as at 31 March 2019: approximately HK$53.5 million), of which approximately HK$35.0 million (as at 31 March 2019: approximately HK$19.1 million) had been drawn down, and approximately HK$20.7 million (as at 31 March 2019: approximately HK$34.4 million) were unutilised.

As at 31 March 2020, the gearing ratio of the Group was 10.6% (as at 31 March 2019: nil), which was calculated based on the net debt divided by total equity. Net debt is defined as the sum of the interest bearing liabilities, which include borrowings, bank overdraft, leases liabilities, loans from a related Company, and a trade payable carrying on an interest rate of 3.6% per annum, 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 HKD, JPY, SGD, CNY and USD. Payments received by the Group from its customers are mainly denominated in HKD, MOP, SGD, CNY and USD.

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 2020, the Group had no material contingent liabilities (as at 31 March 2019: Nil).

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

On 10 May 2019, AP Rentals (China) Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Ajax Pong Construction Equipment Limited to acquire Ajax Pong (Shanghai) Limited (the "Acquisition"), a company principally engaged in the construction equipment rental services business in the PRC since 2015. Completion of the Acquisition took place on 20 September 2019.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As at 31 March 2020, the Group had capital commitments of approximately HK$1.0 million (as at 31 March 2019: nil).

After 31 March 2020, the Group entered into an agreement to purchase machines for rental purpose from KHK ("KHK Purchase"), which was in the amount of approximately HK$5.5 million. The KHK Purchase will be funded by the Group's internal resources and the banking facilities.

Pledge of Assets

As at 31 March 2020, deposit placed for a life insurance policy of approximately HK$2.8 million (as at 31 March 2019: approximately HK$2.7 million), plant and machinery of approximately HK$10.3 million as at 31 March 2020 (as at 31 March 2019: approximately HK$8.7 million), and bank deposits of approximately HK$0.4 million (as at 31 March 2019: approximately HK$0.4 million) have been pledged to secure the Group's borrowings of approximately HK$23.1 million (as at 31 March 2019: approximately HK$2.5 million).

Human Resources and Employees' Remuneration

As at 31 March 2020, the Group had 120 employees (as at 31 March 2019: 115 employees), of which 112 employees were in Hong Kong (as at 31 March 2019: 106 employees), 4 employees were in Macau (as at 31 March 2019: 4 employees) and 4 employees were in Singapore (as at 31 March 2019: 5 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 FY2020 amounted to approximately HK$41.4 million (FY2019: approximately HK$42.1 million). The decrease in staff cost was mainly due to the decrease in headcount of operators due to decrease of the demand of the market on operators.

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 31 March 2020, 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 to 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.

During the year ended 31 March 2020, the Company has engaged an international consulting firm (the "**Consultant**") to review 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 internal controls. A review on the Company's corporate governance practices was conducted by the Consultant for FY2020, and the Company has been improving 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 2020, 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 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 2020.

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

During the year ended 31 March 2020, 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 2020 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 2020 have been reviewed by the audit committee of the Company.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2020.

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 26 August 2020, the register of members of the Company will be closed from 21 August 2020 to 26 August 2020 (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 20 August 2020.

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 2020 will 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, 29 June 2020

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