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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 2020

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**68,183**	67,140
Gross profit	**7,543**	7,423
Loss for the period	**(5,935)**	(6,128)
Loss margin	**(8.7%)**	(9.1%)
Total comprehensive expense for the period	**(5,414)**	(6,046)
Loss per share		
Basic *(HK cents)*	**(0.69)**	(0.71)

* *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 2020 together with its comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2020	2019
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3A*		
Goods and services		**16,939**	16,466
Leasing of machinery		**51,244**	50,674
Total Revenue		**68,183**	67,140
Cost of sales and services		**(60,640)**	(59,717)
Gross profit		**7,543**	7,423
Other income	*4*	**4,530**	1,173
Other gains and losses	*5*	**3,745**	3,059
Impairment loss recognised on property, plant and equipment		**(6,236)**	–
Reversal of impairment losses recognised on lease receivables and trade receivables, net		**921**	–
Administrative expenses		**(15,506)**	(16,940)
Selling and distribution expenses		**(286)**	(442)
Finance costs	*6*	**(1,032)**	(401)
Loss before tax		**(6,321)**	(6,128)
Income tax credit	*7*	**386**	–
Loss for the period		**(5,935)**	(6,128)
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**521**	82
Total comprehensive expense for the period	*8*	**(5,414)**	(6,046)
Loss per share			
— Basic *(HK cents)*	*9*	**(0.69)**	(0.71)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 September 2020** *HK$'000* **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**214,434**	234,643
Right-of-use assets		**7,219**	7,224
Deposits paid for acquisition of property, plant and equipment		**–**	421
Rental deposits	*10*	**650**	650
Deposit placed for a life insurance policy		**2,794**	2,760
Deferred tax assets		**125**	123
		225,222	245,821
Current Assets			
Inventories		**26,996**	25,311
Trade and other receivables, deposits and prepayments	*10*	**40,567**	43,462
Pledged bank deposit		**360**	360
Bank balances and cash		**32,507**	29,955
		100,430	99,088
Current Liabilities			
Trade and other payables and accrued charges	*11*	**33,723**	37,335
Contract liabilities		**9,645**	13,233
Receipts in advance		**356**	412
Deferred income		**1,729**	–
Tax liabilities		**2,010**	74
Borrowings — due within one year		**16,454**	23,164
Loan from a related company	*13*	**223**	–
Lease liabilities		**3,556**	2,907
		67,696	77,125
Net Current Assets		**32,734**	21,963
Total Assets less Current Liabilities		**257,956**	267,784

	NOTES	As at 30 September 2020 HK$'000 (Unaudited)	As at 31 March 2020 HK$'000 (Audited)
Non-current Liabilities			
Trade payable	*11*	**10,767**	12,358
Deferred tax liabilities		**25,517**	25,901
Loans from a related company	*13*	**2,712**	4,393
Lease liabilities		**3,618**	4,377
		42,614	47,029
Net Assets		**215,342**	220,755
Capital and Reserves			
Issued capital	*12*	**864**	864
Reserves		**214,478**	219,891
Total Equity		**215,342**	220,755

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2020

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2020 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except as described below:

— Government subsidies are recognised at their fair value where there is reasonable assurance that the subsidy will be received and all attaching conditions will be complied with. When the subsidy relates to an expense item, it is recognised as other income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current and prior periods has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The application of the amendments in the current period had no impact on the condensed consolidated statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

3A. REVENUE

For the six months ended 30 September 2020 (Unaudited)

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 of machinery	–	51,244
Sales of machinery and parts	8,869	–
Operating service income	–	5,264
Other service income	24	2,782
Total	8,893	59,290
Geographical Markets		
Hong Kong	8,871	55,619
Macau	14	3,170
Singapore	–	144
PRC	8	357
Total	8,893	59,290
Timing of revenue recognition		
A point in time	8,869	1,723
Over time	24	6,323
Leasing income of machinery	–	51,244
Total	8,893	59,290

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.

For the six months ended 30 September 2019 (Unaudited)

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 of machinery	–	50,674
Sales of machinery and parts	8,975	–
Operating service income	–	2,890
Other service income	80	4,521
Total	9,055	58,085
Geographical Markets		
Hong Kong	9,040	52,940
Macau	15	4,404
Singapore	–	741
PRC	–	–
Total	9,055	58,085
Timing of revenue recognition		
A point in time	8,975	–
Over time	80	7,411
Leasing income of machinery	–	50,674
Total	9,055	58,085

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 2020 (Unaudited)

	Leasing *HK$'000*	**Trading** *HK$'000*	**Total** *HK$'000*
Revenue			
Segment revenue from external customers	**59,290**	**8,893**	**68,183**
Results			
Segment results	**1,720**	**755**	**2,475**
Unallocated income			**4,190**
Unallocated expenses			**(12,986)**
Condensed consolidated loss before tax of the Group			**(6,321)**

For the six months ended 30 September 2019 (Unaudited)

	Leasing *HK$'000*	Trading *HK$'000*	Total *HK$'000*
Revenue			
Segment revenue from external customers	58,118	9,022	67,140
Results			
Segment results	8,000	247	8,247
Unallocated income			75
Unallocated expenses			(14,450)
Condensed consolidated loss before tax of the Group			(6,128)

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. The unallocated income includes the government subsidies received by the Group due to the Coronavirus disease (the "**COVID-19**") pandemic. Further detail is stated in note 4.

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 2020 (Unaudited)

	Leasing *HK$'000*	**Trading** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	**33,011**	**5**	**536**	**33,552**
Depreciation of right-of-use assets	**1,445**	**–**	**23**	**1,468**
Gain on disposal of property, plant and equipment	**(3,354)**	**–**	**–**	**(3,354)**
Gain on lease termination	**(37)**	**–**	**–**	**(37)**

For the six months ended 30 September 2019 (Unaudited)

	Leasing *HK$'000*	Trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment results:				
Depreciation of property, plant and equipment	26,429	9	706	27,144
Depreciation of right-of-use assets	427	–	85	512
(Gain) loss on disposal of property, plant and equipment	(3,317)	–	24	(3,293)

Geographical information

For the six months ended 30 September (Unaudited)

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

	2020 *HK$'000*	2019 *HK$'000*
External revenue:		
Hong Kong	**64,490**	61,980
Macau	**3,184**	4,419
Singapore	**144**	741
PRC	**365**	–
	68,183	67,140

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

	As at 30 September 2020 *HK$'000* **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Non-current assets:		
Hong Kong	**200,792**	211,198
Macau	**5,761**	8,107
Singapore	**5,172**	5,631
PRC	**10,578**	18,002
	222,303	242,938

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

4. OTHER INCOME

	Six months ended 30 September	
	2020 *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Interest income from		
— bank deposits	**3**	99
— deposit placed for a life insurance policy	**50**	47
Government subsidies (note)	**3,917**	–
Storage income	**429**	851
Sundry income	**131**	176
	4,530	1,173

Note: The government subsidies represent the wage subsidies provided by the governments of Hong Kong, Macau and Singapore to support the employment and to help business tide over financial difficulties due to the COVID-19 pandemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2020 *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Exchange gain (loss), net	**354**	(234)
Gain on disposal of property, plant and equipment	**3,354**	3,293
Gain on lease termination	**37**	–
	3,745	3,059

6. FINANCE COSTS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**439**	188
Interest on finance leases	**–**	164
Interest on lease liabilities	**137**	49
Interest on interest bearing trade payables	**369**	–
Imputed interest on loans from a related company *(note 13)*	**87**	–
	1,032	401

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	**–**	–
Macau Complementary Income Tax	**–**	–
	–	–
Deferred taxation	**386**	–
	386	–

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%.

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 periods.

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

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%.

8. LOSS FOR THE PERIOD

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Directors' emoluments	**3,371**	3,355
Other staff costs:		
— Salaries, allowances and other benefits	**17,594**	14,909
— Retirement benefits scheme contributions	**704**	661
	18,298	15,570
Total staff costs	**21,669**	18,925
Auditor's remuneration	**853**	908
Cost of inventories recognised as expenses	**6,457**	5,480
Depreciation of property, plant and equipment	**33,552**	27,144
Depreciation of right-of-use assets	**1,468**	512

9. LOSS PER SHARE

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the purpose of basic loss per share	**(5,935)**	(6,128)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic loss per share	**864,000,000**	864,000,000

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

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

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2020 HK$'000 (Unaudited)	As at 31 March 2020 HK$'000 (Audited)
Lease receivables from:		
— outsiders	**43,060**	42,436
— a subsidiary of a shareholder of the Company	**–**	768
— a related company *(note)*	**358**	429
Less: Allowance for credit loss	**(11,133)**	(11,637)
	32,285	31,996
Trade receivables from contracts with customers	**2,400**	5,161
Less: Allowance for credit loss	**(262)**	(678)
	2,138	4,483
Other receivables	**2,540**	50
Value added tax recoverable	**1,249**	1,169
Rental deposits paid	**865**	1,052
Other deposits and prepayments	**2,140**	5,783
	41,217	44,533
Analysed as:		
Current	**40,567**	43,462
Non-current — Deposits paid for acquisition of property, plant and equipment	**–**	421
Non-current — rental deposits	**650**	650
	41,217	44,533

Note: A related company is company in which the directors of the Company had a material beneficial interest.

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. Lease receivables and trade receivables that are neither past due nor impaired are due from creditworthy customers.

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 each reporting period:

	As at 30 September 2020 *HK$'000* **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Within 30 days	**14,784**	8,656
31 to 60 days	**3,462**	14,792
61 to 90 days	**6,895**	2,506
91 to 180 days	**4,354**	6,318
Over 180 days	**4,928**	4,207
	34,423	36,479

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2020 *HK$'000* **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Trade payables *(note)*	**32,980**	37,177
Accrued expenses	**8,768**	9,560
Other payables	**2,742**	2,956
	44,490	49,693
Analysed as:		
Current	**33,723**	37,335
Non-current		
— trade payable to a subsidiary of a shareholder of the Company	**10,767**	12,358
	44,490	49,693

Note: As at 30 September 2020, included in trade payables are two payables, HK$15,444,000 (as at 31 March 2020: HK$21,669,000) and HK$2,600,000 (as at 31 March 2020: nil), payable by 30 monthly instalments and 29 monthly instalments respectively to a subsidiary of a shareholder of the Company, other trade payables are under normal credit term granted by suppliers.

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 2020 *HK$'000* **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Within 30 days	**1,463**	20,818
31 to 60 days	**4,009**	5,045
61 to 90 days	**197**	499
91 to 180 days	**9,830**	9,505
Over 180 days	**17,481**	1,310
	32,980	37,177

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

12. ISSUED CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each		
At 31 March 2020 and 30 September 2020	**10,000,000,000**	10,000
Issued:		
At 31 March 2020 and 30 September 2020	**864,000,000**	864

13. LOANS FROM A RELATED COMPANY

Loans from a related company are unsecured and carried the effective interest rate of 4.07% per annum. Included in the carrying amounts of US$28,684 (equivalent to approximately HK$0.2 million) (as at 31 March 2020: US$217,794 (equivalent to approximately HK$1.7 million)) and US$348,684 (equivalent to approximately HK$2.7 million) (as at 31 March 2020: US$337,794 (equivalent to approximately HK$2.6 million)) are repayable in August 2021 and October 2021 respectively. The related company has common directors with the Company.

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 2020 ("**1H2021**"), the Group recorded the total comprehensive expenses amounted to approximately HK$5.4 million (for the six months ended 30 September 2019 ("**1H2020**"): approximately HK$6.0 million) due to the net effect of:

1. impairment loss recognised on plant and equipment in the wholly-owned subsidiary of the Company, AP Rentals (Shanghai) Limited, ("**AP Shanghai**"), since the leasing prices of rental machines in the People's Republic of China (excluding Hong Kong, the Macao Special Administrative Region of the PRC ("**Macau**") and Taiwan for the purpose of this announcement) ("**PRC**") declined sharply due to the outbreak of the COVID-19. As such, an impairment amounted to the equivalence of approximately HK$6.2 million was made;

2. reversal of impairment losses recognised on receivables for the Group amounted to approximately HK$0.9 million due to the improvement in recovering those aged receivables;

3. reduction in administrative expenses amounted to approximately HK$1.4 million due to stringent cost control & reduction within the Group; and

4. receiving of government subsidies amounted to the equivalence of approximately HK$3.9 million, which represent the wage subsidies provided by the governments of Hong Kong, Macau and Singapore, for supporting the employment and helping business tide over financial difficulties due to the COVID-19 pandemic.

For 1H2021, the Group recorded revenue of approximately HK$68.2 million, representing an increase of approximately 1.6% as compared to that of approximately HK$67.1 million for 1H2020. For 1H2021, the Group recorded gross profit of approximately HK$7.5 million, representing an increase of approximately 1.6% as compared to that of approximately HK$7.4 million for 1H2020. The gross profit margin for 1H2021 was approximately 11.1% (1H2020: approximately 11.1%), which was approximately the same when compared to that for 1H2020. Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in 1H2021.

Loss attributable to owners of the Company was approximately HK$5.9 million in 1H2021 (1H2020: approximately HK$6.1 million).

Basic loss per share attributable to owners of the Company for 1H2021 was HK(0.69) cent (1H2020: HK(0.71) cent).

BUSINESS OVERVIEW

During 1H2021, the demands from the third runway of Hong Kong International Airport (the "**Third Runway**") and the Kai Tak Sports Park have increased significantly since September 2019 and have become our main source of leasing income. However, the overall market sentiment of the construction industry in Hong Kong was still poor, especially on those construction work related to private sector, which led to continuous price competition in construction and its related businesses, especially after the outbreak of COVID-19. The pandemic has also affected the operating days of the work sites of our customers, which had inevitably affected our leasing income in 1H2021. Other than our main market — construction industry, the Group also lost its leasing revenue in a minor market — the event business due to the pandemic. Nevertheless, the Group has tried its best to sidestep such difficulties by increasing our leasing income from markets other than the construction industry and event business although its financial effect was not material in 1H2021. For the generator business with Automatic Power System ("**APS**") in the Smart System in Mobile Electricity ("**SSME**"), it has continuously provided more revenues and profit to the Group in 1H2021. For the operating service income, the Group has provided more operators so as to promote the leasing of the products, namely, the spider crane, excavator and crane, which led to great increase in the income generated from equipment operating service in 1H2021.

For the trading business and disposal of leasing machines, the Group still maintained the revenues by selling and disposing more of its machines in Hong Kong than overseas because of the global lockdowns.

For Macau, the pandemic has also hit its economy seriously and so revenue of AP Equipment Leasing and Engineering Limited ("**AP Macau**") decreased a lot when compared to that of 1H2020.

For Singapore, due to the COVID-19, there was lockdown from April 2020 and the lockdown related to construction industry has just been uplifted on 1st August 2020 but the shortage of labour in most construction sites in Singapore (due to the pandemic) has led to the closure of most of the construction sites in August 2020. As such, AP Equipment Rentals (Singapore) Ptd. Limited ("**AP Singapore**") recorded no income from July 2020 up to August 2020.

For PRC, despite the fact that its economy seemed to have gradually recovered from the pandemic in 1H2021, the demand on leasing of construction machines was still weak and there was keen price competition. The COVID-19 led to the acute shortage of labour and disruption of upstream material supplier of construction industry. Most of the construction projects were delayed and cost of construction soared up. As the result, the demands on leasing machines declined and the rental price of construction machines declined. In addition, the collection issue of receivables in the machinery leasing market is deteriorating. As such, AP Shanghai had to lower the leasing prices of its leasing machines so as to increase its competitiveness in the market.

For details, please refer to the section headed "Financial Review" of this announcement.

OUTLOOK

Due to the uncertainty caused by the global lockdowns, it is very difficult to devise a very solid business plan for coming year. What the Group could do is to do its best to maximize its revenue in Hong Kong, Macau and PRC in the coming months as the effect of the pandemic seems to be limited in these major markets of the Group.

In Hong Kong, our leasing business will still be focusing on our SSME business and the demands in key projects, namely, the Third Runway and the Kai Tak Sports Park. For machinery sales, there are still orders to be delivered in the second half of the financial year ending 31 March 2021 ("**2H2021**") for the Central Kowloon Route.

In Macau, the PRC government has relaxed some of its control over its people in visiting Macau in late September, 2020, the Group expects the leasing demand in Macau might gradually improve with more relaxation on the control of the visitors from PRC in the late period of 2H2021.

In the PRC, the Group expects the economy of the PRC will continue to improve in 2H2021 and with the reduction of the our leasing price of our rental machines, the Group expects to have some degrees of improvement on the leasing income in AP Shanghai in 2H2021. On the other hand, AP Shanghai will still consider any chance to capitalize on the national policies of the PRC government to develop the Guangdong-Hong Kong-Macao Greater Bay Area, which will bring along macroeconomic momentum and opportunities.

For Singapore, there is still a lot of uncertainty due to the pandemic. Therefore, the Group has tried its best to minimize the operating cost of AP Singapore so that its financial effect towards the Group will be kept to a minimum.

Lastly, the Group will be ready to increase its revenues in machinery trading and disposal overseas once there is more release of global lockdowns in the later period of 2H2021.

FINANCIAL REVIEW

Revenue

For 1H2021, the Group recorded an increase in revenue of approximately HK$1.0 million, with the total revenue amounting to approximately HK$68.2 million for 1H2021, representing an increase of approximately 1.6% as compared to that of approximately HK$67.1 million for 1H2020. The increase in revenue mainly resulted from the increase in all segments of business of the Group except for the sales of spare parts and provision of other services.

(i) Lease of machinery

During the period under review, the Group's leasing 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, increased to approximately HK$51.2 million in 1H2021 compared to that of approximately HK$50.7 million in 1H2020.

As mentioned above, the Group's rental business in Hong Kong improved in 1H2021 due to the reasons mentioned in the section headed "Business Overview" above.

Rental income from rental services accounted for approximately 75.2% of the Group's total revenue for 1H2021 (1H2020: approximately 75.5%).

(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 1H2021, revenue from equipment operating services increased by approximately 82.1% to approximately HK$5.3 million (1H2020: approximately HK$2.9 million), and accounted for approximately 7.7% of the Group's total revenue for 1H2021 (1H2020: approximately 4.3%). The increase in operating service income for 1H2021 was attributable to the fact that the Group needs to increase the leasing income of certain products, namely spider crane, crane and excavator. The provision of operators can help the Group to maintain the leasing income from these products and thus the operating service income increased sharply when compared to that of 1H2020.

(iii) Other service income

The Group's other service income, which arises from rental arrangements including repair, maintenance, transportation and technical support services during the rental period, recorded a decrease and amounted to approximately HK$2.8 million for 1H2021 (1H2020: approximately HK$4.6 million). The Group's other service income accounted for approximately 4.1% of the Group's total revenue for 1H2021(1H2020: approximately 6.9%). The decrease mainly came from the transportation service amounting to approximately HK$1 million, which was partly caused by the tumbling of demands from event business due to the pandemic.

(iv) Sales of machinery and spare parts

The revenue from sales of machinery and spare parts decreased slightly by approximately 1.2% from approximately HK$9.0 million for 1H2020 to approximately HK$8.9 million for 1H2021 due to (i) the decrease in sales of spare parts; (ii) a discount allowance given for machinery sale; and (iii) an increase in sales of machinery.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$60.6 million for 1H2021, representing a period-on-period increase of approximately 1.5% (1H2020: approximately HK$59.7 million). Cost of sales and services 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.

The cooperation agreement entered between AP Rentals Limited ("**APR**"), 株式会社カナモト (Kanamoto Co., Ltd.*) ("**Kanamoto Japan**"), a shareholder of the Company and strategic partner of the Group and Kanamoto (HK) Co., Limited ("**Kanamoto HK**"), a wholly-owned subsidiary of Kanamoto Japan, on 19 June 2015 has been terminated on 18 June 2020. In 1H2021, approximately 96.1% of the leasing income of the Group was generated by the leasing machines of the Group.

As such, the Group recorded a decrease of approximately HK$9.0 million in machinery hiring expenses during the period under review when compared to that of 1H2020. Nevertheless, the Group has also increased its investment on leasing machines or transferred its stock machinery to leasing machines amounting to approximately HK$23.4 million in 1H2021. So the depreciation cost in 1H2021 also increased by approximately HK$6.6 million. Staff costs under the cost of sales and services increased by approximately HK$2.3 million due to the promotion of leasing machines, namely crane, spider crane and excavator, which led to the increase in number of operators required. Costs for machinery and parts increased by approximately 17.8% due to the increase of revenue in machinery trading in 1H2021.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased slightly by approximately 1.6% from approximately HK$7.4 million for 1H2020 to approximately HK$7.5 million for 1H2021 but the Group's gross profit margin remained unchanged of approximately 11.1% for 1H2021 (1H2020: approximately 11.1%).

Other Income

The Group recorded other income amounting to approximately HK$4.5 million in 1H2021 (1H2020: approximately HK$1.2 million), which represented an increase of approximately 286.2% from 1H2020. The increase was due to the receiving of government subsidies amounted to the equivalence of approximately HK$3.9 million, which represent the wage subsidies provided by the governments of Hong Kong, Macau and Singapore for supporting the employment and helping business tide over financial difficulties due to the COVID-19 pandemic.

Other Gains and Losses

Other gains and losses amounted to approximately HK$3.7 million in 1H2021 (1H2020: approximately HK$3.1 million), representing an increase of approximately 22.4% over 1H2020. The Group recorded an exchange gain of approximately HK$0.4 million in 1H2021 while there was an exchange loss of approximately HK$0.2 million in 1H2020.

Reversal of Impairment Losses Recognised on Lease Receivables and Trade Receivables, Net and the Impairment Loss Recognised on Plant and Equipment

As at 31 March 2020, the Group has made impairment losses on lease receivables and trade receivables, net of approximately HK$5.6 million due to the outbreak of the COVID-19 with reference to the global default report for March 2020 issued by Moody's. However, in 1H2021, the receivables of the Group has been improved and the expected default risk has not changed materially in the global default report for September 2020 issued by Moody's. As such, reversal of impairment losses were booked in 1H2021 amounting to approximately HK$0.9 million.

On the other hand, the Group has recognised an impairment loss on plant and equipment in AP Shanghai amounted to the equivalence of approximately HK$6.2 million due to the decline of leasing prices of the leasing machines in the PRC.

Administrative Expenses

For 1H2021, administrative expenses amounted to approximately HK$15.5 million (1H2020: approximately HK$16.9 million), representing a decrease of approximately 8.5% over 1H2020. The decrease in administrative expenses was mainly due to the stringent control on the administrative expenses and the cost reduction of the Group, especially in AP Singapore.

Selling and Distribution Expenses

For 1H2021, selling and distribution expenses amounted to approximately HK$0.3 million (1H2020: approximately HK$0.4 million). The decrease was mainly due to decrease in carriage outwards expenses for the Group used its trucks instead of using our vendors' trucks.

Finance Cost

Finance costs comprised interest on the Group's borrowings and trade payables to Kanamoto HK, which carried an interest rate of 3.6% per annum and payable by 36 and 32 monthly instalments from 25 March 2020 and 25 July 2020 respectively, which amounted to approximately HK$1.0 million for 1H2021 (1H2020: approximately HK$0.4 million). The increase in interest was mainly due to the interest paid for the trade payables to Kanamoto HK, which was incurred in buying the leasing machines from Kamamoto HK in March and June 2020.

Loss and Total Comprehensive Expenses for 1H2021

The Group recorded loss attributable to owners of the Company of approximately HK$5.9 million for 1H2021 (1H2020: approximately HK$6.1 million), representing a loss margin of approximately 8.7% (1H2020: approximately 9.1%). The loss attributable to owners of the Company in 1H2021 was due to the recognition of the impairment loss on plant and equipment of AP Shanghai as explained above. The total comprehensive expenses for 1H2021 was approximately HK$5.4 million (1H2020: approximately HK$6.0 million). The exchange differences arising on translation of foreign operations was approximately HK$0.5 million in 1H2021 (1H2020: approximately HK$0.1 million). The increase was due to the appreciation of Chinese Yuan.

Capital Expenditure

The Group's capital expenditures in 1H2021 primarily comprised expenditures on machinery, truck and office equipment, amounting to a total of approximately HK$23.7 million (for the year ended 31 March 2020: approximately HK$69.6 million). The vast majority of the capital expenditures were used to fund the expansion of the Group's owned rental fleet, which accounted for approximately 98.7% of the total capital expenditure for 1H2021.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 30 September 2020, the Group had bank balances and cash equivalents of approximately HK$32.5 million (as at 31 March 2020: approximately HK$30.0 million) that were mainly denominated in Hong Kong Dollars, Japanese Yen, Macau Pataca ("**MOP**"), Singapore Dollars, United States Dollars and Chinese Yuan, and had borrowings of approximately HK$16.5 million (as at 31 March 2020: approximately HK$23.2 million) that were mainly denominated in Hong Kong Dollars and in United States Dollars.

As at 30 September 2020, the Group had banking facilities of approximately HK$50.9 million (as at 31 March 2020: approximately HK$55.7 million), of which approximately HK$30.1 million (as at 31 March 2020: approximately HK$35.0 million) had been drawn down, and approximately HK$20.8 million (as at 31 March 2020: approximately HK$20.7 million) were unutilised.

As at 30 September 2020, the gearing ratio of the Group was approximately 5.6% (as at 31 March 2020: 10.6%), 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, loan from a related company, bank overdraft, lease liabilities and trade payables 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 Hong Kong Dollars, Japanese Yen, Singapore Dollars, Chinese Yuan and United States Dollars. Payments received by the Group from its customers are mainly denominated in Hong Kong Dollars, MOP, Singapore Dollars, Chinese Yuan 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 2020, the Group had no material contingent liabilities.

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

There were no material acquisitions or disposal of subsidiaries or associates during 1H2021.

Significant Investments

As at 30 September 2020, the Group did not have any significant investments.

Capital Commitments

As at 30 September 2020, the Group had capital commitments of approximately HK$1.4 million (as at 31 March 2020: HK$1.0 million) to acquire plant and equipment for the Group.

The acquisition of plant and equipment will be funded by the Group's internal resources and the banking facilities.

Pledge of Assets

As at 30 September 2020, deposit placed for a life insurance policy of approximately HK$2.8 million (as at 31 March 2020: approximately HK$2.8 million), plant and machinery of approximately HK$9.4 million as at 30 September 2020 (as at 31 March 2020: approximately HK$10.3 million), and bank deposits of approximately HK$0.4 million (as at 31 March 2020: approximately HK$0.4 million) have been pledged to secure the Group's borrowings of approximately HK$16.5 million (as at 31 March 2020: approximately HK$23.1 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 2020, the Group had 123 employees (as at 31 March 2020: 120 employees), of which 116 employees were in Hong Kong (as at 31 March 2020: 112 employees), 4 employees were in Macau (as at 31 March 2020: 4 employees) and 3 employees were in Singapore (as at 31 March 2020: 4 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 1H2021 amounted to approximately HK$21.7 million (1H2020: approximately HK$18.9 million). The increase in staff cost was mainly due to the increase in headcount of operators, as explained in the section headed "Financial Review" above.

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 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 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 1H2021, 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 1H2021 are in line with those practices set out in the Corporate Governance Report in the Company's annual report for the year ended 31 March 2020.

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 1H2021.

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

In 1H2021, 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 1H2021 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 2021.

Publication of Interim Report

The interim report of the Company for 1H2021 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, 26 November 2020

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. Nakazawa Tomokatsu and three Independent Non-executive Directors, namely Mr. Ho Chung Tai, Raymond, Mr. Siu Chak Yu and Mr. Li Ping Chi.