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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 2021

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	68,486	68,183
Gross profit	9,856	7,543
Profit (loss) for the period	108	(5,935)
Profit (loss) margin	0.2%	(8.7%)
Total comprehensive income (expense) for the period	351	(5,414)
Earnings (loss) per share		
Basic (<i>HK cents</i>)	0.01	(0.69)

* *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 2021 together with its comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	3A		
Goods and services		22,001	16,939
Leasing of machinery		46,485	51,244
Total Revenue		68,486	68,183
Cost of sales and services		(58,630)	(60,640)
Gross profit		9,856	7,543
Other income	4	472	4,530
Other gains and losses	5	6,515	3,745
Impairment loss recognised on property, plant and equipment		–	(6,236)
Reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net		166	921
Administrative expenses		(16,603)	(15,506)
Selling and distribution expenses		(298)	(286)
Finance costs	6	(689)	(1,032)
Loss before tax		(581)	(6,321)
Income tax credit	7	689	386
Profit (loss) for the period	8	108	(5,935)
Other comprehensive income for the period <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		243	521
Total comprehensive income (expense) for the period		351	(5,414)
Earnings (loss) per share			
— Basic (<i>HK cents</i>)	9	0.01	(0.69)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current Assets			
Property, plant and equipment		172,518	189,467
Right-of-use assets		4,265	5,663
Deposits paid for acquisition of property, plant and equipment	10	421	421
Rental deposits paid	10	650	650
Deposit placed for a life insurance policy		2,870	2,835
Deferred tax assets		138	138
		180,862	199,174
Current Assets			
Inventories		31,578	30,672
Trade and other receivables, deposits and prepayments	10	36,304	42,089
Pledged bank deposit		360	360
Bank balances and cash		60,057	38,394
		128,299	111,515
Current Liabilities			
Trade and other payables and accrued charges	11	30,094	31,158
Contract liabilities		6,649	10,583
Receipts in advance		960	655
Tax liabilities		3,428	2,225
Borrowings — due within one year		18,814	9,630
Loan from a related company		—	3,032
Lease liabilities		2,826	3,525
		62,771	60,808
Net Current Assets		65,528	50,707
Total Assets less Current Liabilities		246,390	249,881

		As at 30 September 2021	As at 31 March 2021
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current Liabilities			
Trade payable	<i>11</i>	3,224	7,029
Deferred tax liabilities		22,952	24,845
Loans from a related company	<i>13</i>	2,806	–
Lease liabilities		924	1,874
		<u>29,906</u>	<u>33,748</u>
Net Assets		<u>216,484</u>	<u>216,133</u>
Capital and Reserves			
Issued capital	<i>12</i>	864	864
Reserves		215,620	215,269
		<u>216,484</u>	<u>216,133</u>
Total Equity		<u>216,484</u>	<u>216,133</u>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2021 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 2021, 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 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 March 2021, 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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of 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.

3A. REVENUE

For the six months ended 30 September 2021 (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 <i>HK\$'000</i> (unaudited)	Leasing <i>HK\$'000</i> (unaudited)
Leasing of machinery	–	46,485
Sales of machinery and parts	13,739	–
Operating service income	–	5,222
Other service income	–	3,040
	<hr/>	<hr/>
Total	13,739	54,747
	<hr/> <hr/>	<hr/> <hr/>
Geographical Markets		
Hong Kong	13,703	48,336
Macau	15	3,814
The People's Republic of China (excluding Hong Kong, Macau and Taiwan) for the purpose of this announcement ("PRC")	21	583
Singapore	–	2,014
	<hr/>	<hr/>
Total	13,739	54,747
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	13,739	2,946
Over time	–	5,316
	<hr/>	<hr/>
Leasing income of machinery	–	46,485
	<hr/>	<hr/>
Total	13,739	54,747
	<hr/> <hr/>	<hr/> <hr/>

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 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 <i>HK\$'000</i> (unaudited)	Leasing <i>HK\$'000</i> (unaudited)
Leasing of machinery	–	51,244
Sales of machinery and parts	8,869	–
Operating service income	–	5,264
Other service income	24	2,782
	<hr/>	<hr/>
Total	8,893	59,290
	<hr/> <hr/>	<hr/> <hr/>
Geographical Markets		
Hong Kong	8,871	55,619
Macau	14	3,170
PRC	8	357
Singapore	–	144
	<hr/>	<hr/>
Total	8,893	59,290
	<hr/> <hr/>	<hr/> <hr/>
Timing of revenue recognition		
A point in time	8,869	1,723
Over time	24	6,323
	<hr/>	<hr/>
Leasing income of machinery	–	51,244
	<hr/>	<hr/>
Total	8,893	59,290
	<hr/> <hr/>	<hr/> <hr/>

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

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

Segment revenue and results

For the six months ended 30 September 2021 (Unaudited)

	Leasing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Segment revenue from external customers	<u>54,747</u>	<u>13,739</u>	<u>68,486</u>
Results			
Segment results	<u>11,956</u>	<u>987</u>	12,943
Unallocated income			142
Unallocated expenses			<u>(13,666)</u>
Condensed consolidated loss before tax of the Group			<u>(581)</u>

For the six months ended 30 September 2020 (Unaudited)

	Leasing <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
Segment revenue from external customers	<u>59,290</u>	<u>8,893</u>	<u>68,183</u>
Results			
Segment results	<u>5,637</u>	<u>755</u>	6,392
Unallocated income			273
Unallocated expenses			<u>(12,986)</u>
Condensed consolidated loss before tax of the Group			<u>(6,321)</u>

Segment results represent the profit earned by each segment without allocation of interest income and certain sundry income, exchange gain or loss 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 accounting 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 six months ended 30 September 2021 (Unaudited)

	Leasing HK\$'000	Trading HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment results:				
Reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net	166	–	–	166
Depreciation of property, plant and equipment	26,696	3	466	27,165
Depreciation of right-of-use assets	1,530	–	26	1,556
Gain on disposal of property, plant and equipment	6,430	–	–	6,430

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:				
Impairment loss recognized on property, plant and equipment	6,236	–	–	6,236
Reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net	921	–	–	921
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

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, PRC and Singapore, which is determined based on the location of customers.

	2021 HK\$'000	2020 HK\$'000
External revenue:		
Hong Kong	62,039	64,490
Macau	3,829	3,184
PRC	604	365
Singapore	2,014	144
	<u>68,486</u>	<u>68,183</u>

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 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Non-current assets:		
Hong Kong	158,285	179,719
Macau	5,645	2,895
PRC	10,707	9,370
Singapore	2,567	3,567
	<u>177,204</u>	<u>195,551</u>

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

4. OTHER INCOME

	Six months ended 30 September 2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest income from		
— bank deposits	13	3
— deposit placed for a life insurance policy	47	50
Government subsidies (<i>note</i>)	7	3,917
Storage income	—	429
Sundry income	405	131
	<u>472</u>	<u>4,530</u>

Note: The government subsidies recorded by the Group for the six months ended 30 September 2020 represented 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. The government subsidy recorded by the Group for the six months ended 30 September 2021 was provided by the government of Singapore.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Exchange gain, net	85	354
Gain on disposal of property, plant and equipment	6,430	3,354
Gain on lease termination	–	37
	<u>6,515</u>	<u>3,745</u>

6. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on borrowings	293	439
Interest on lease liabilities	85	137
Interest on interest bearing trade payables	223	369
Imputed interest on loans from a related company (<i>note 13</i>)	88	87
	<u>689</u>	<u>1,032</u>

7. INCOME TAX CREDIT

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax		
Hong Kong Profits Tax	1,204	–
Macau Complementary Income Tax	–	–
	<u>1,204</u>	<u>–</u>
Deferred taxation	<u>(1,893)</u>	<u>(386)</u>
	<u>(689)</u>	<u>(386)</u>

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%. 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% (2020: 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. PROFIT (LOSS) FOR THE PERIOD

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging:		
Directors' emoluments	<u>3,367</u>	<u>3,371</u>
Other staff costs:		
— Salaries, allowances and other benefits	18,263	17,594
— Retirement benefits scheme contributions	<u>711</u>	<u>704</u>
	<u>18,974</u>	<u>18,298</u>
Total staff costs	<u>22,341</u>	<u>21,669</u>
Auditor's remuneration	811	853
Cost of inventories recognised as expenses	9,289	6,457
Depreciation of property, plant and equipment	27,165	33,552
Depreciation of right-of-use assets	<u>1,556</u>	<u>1,468</u>

9. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company for the purpose of basic earnings (loss) per share	<u>108</u>	<u>(5,935)</u>
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	<u>864,000,000</u>	<u>864,000,000</u>

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

Note: The calculation of the basic earnings (loss) per share for the both periods were based on the profit (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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Lease receivables from:		
— outsiders	35,773	43,906
— a related company (<i>note</i>)	212	212
Less: Allowance for credit loss	<u>(10,432)</u>	<u>(10,620)</u>
	<u>25,553</u>	<u>33,498</u>
Trade receivables from contracts with customers	3,633	3,331
Less: Allowance for credit loss	<u>(214)</u>	<u>(179)</u>
	<u>3,419</u>	<u>3,152</u>
Other receivables	–	98
Value added tax recoverable	1,256	1,260
Rental deposits paid	650	650
Other deposits and prepayments	<u>6,497</u>	<u>4,502</u>
	<u>37,375</u>	<u>43,160</u>
Analysed as:		
Current	36,304	42,089
Non-current — Deposits paid for acquisition of property, plant and equipment	421	421
Non-current — rental deposits paid	<u>650</u>	<u>650</u>
	<u>37,375</u>	<u>43,160</u>

Note: A related company is a company in which Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina have beneficial interest.

The Group allows an average credit period of 0 to 75 days to its leasing customers and an average credit period of 0 to 60 days for trading 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 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Within 30 days	11,463	13,567
31 to 60 days	3,095	12,295
61 to 90 days	5,296	4,038
91 to 180 days	4,140	6,222
Over 180 days	4,978	528
	<u>28,972</u>	<u>36,650</u>

11. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2021 <i>HK\$'000</i> (Unaudited)	As at 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables (<i>note</i>)	21,997	25,526
Accrued expenses	9,262	10,468
Other payables	2,059	2,193
	<u>33,318</u>	<u>38,187</u>
Analysed as:		
Current	30,094	31,158
Non-current		
— trade payable to a shareholder of the Company	3,224	7,029
	<u>33,318</u>	<u>38,187</u>

Note: As at 30 September 2021, included in trade payables is HK\$10,767,000 payable to a shareholder of the Company (as at 31 March 2021: HK\$14,438,000). Except for a trade payable of HK\$10,767,000, carrying on an interest rate of 3.6% per annum, other trade payables are under normal credit terms 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 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Within 30 days	2,598	4,651
31 to 60 days	2,772	1,298
61 to 90 days	1,505	98
91 to 180 days	2,280	3,597
Over 180 days	12,842	15,882
	<u>21,997</u>	<u>25,526</u>

The normal credit period on trade payables is ranging from 0 to 90 days (as at 31 March 2021: 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 2021 and 30 September 2021	<u>10,000,000,000</u>	<u>10,000</u>
Issued:		
At 31 March 2021 and 30 September 2021	<u>864,000,000</u>	<u>864</u>

13. LOANS FROM A RELATED COMPANY

The related company is a company in which Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina have beneficial interest.

As at 30 September 2021, a loan from a related company is unsecured and interest free but carried the effective interest rate of 4.06% per annum which has the carrying amounts of US\$360,000, equivalent to approximately HK\$2.8 million (as at 31 March 2021: US\$348,684, equivalent to approximately HK\$2.7 million) and is repayable in October 2023.

Another loan from a related company which was unsecured and interest free was settled as at 30 September 2021 (as at 31 March 2021: US\$38,760, equivalent to approximately HK\$0.3 million).

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 2021 (“1H2022”), the Group recorded a net profit which amounted to approximately HK\$0.1 million (for the six months ended 30 September 2020 (“1H2021”): net loss amounting to approximately HK\$5.9 million). The change from net loss to net profit is mainly attributable to the net effect of:

1. reduction of impairment loss recognised on property, plant and equipment in the Group from the equivalence of approximately HK\$6.2 million in 1H2021 to nil in 1H2022 due to improvement in the market price of the construction equipment globally;
2. increase in gross profit from approximately HK\$7.5 million in 1H2021 to approximately HK\$9.9 million in 1H2022 mainly due to the decrease in depreciation of machines for leasing;
3. no government subsidies from the governments of Hong Kong and Macau related to the COVID-19 pandemic in 1H2022 (1H2021: the equivalence of approximately HK\$3.8 million, which represent the wage subsidies provided by the governments of Hong Kong and Macau) for supporting the employment and helping business tide over financial difficulties due to the COVID-19 pandemic were received; and
4. increase in gain on disposal of property, plant and equipment from approximately HK\$3.4 million in 1H2021 to approximately HK\$6.4 million in 1H2022.

For 1H2022, the Group recorded revenue of approximately HK\$68.5 million, representing an increase of approximately 0.4% as compared to that of approximately HK\$68.2 million for 1H2021. For 1H2022, the Group recorded gross profit of approximately HK\$9.9 million, representing an increase of approximately 30.7% as compared to that of approximately HK\$7.5 million for 1H2021. The gross profit margin for 1H2022 was approximately 14.4% (1H2021: approximately 11.1%). Please refer to the section headed “Financial Review” of this announcement for further details of the Group’s performance in 1H2022.

Profit attributable to owners of the Company was approximately HK\$0.1 million in 1H2022 (Loss attributable to owners of the Company in 1H2021: approximately HK\$5.9 million).

Basic earnings per share attributable to owners of the Company for 1H2022 was HK0.01 cent (Basic loss per share attributable to owners of the Company for 1H2021: HK(0.69) cent).

BUSINESS OVERVIEW

During 1H2022, the equipment demands from the third runway of Hong Kong International Airport (the “**Third Runway**”) started to decrease in third quarter of this year due to the completion of the reclamation work. During the period of transition of the core parts of the construction work, the work will slow down for a while before the commencement of the major above ground work. The demands from Kai Tak Sports Park were maintained in 1H2022. 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. Nevertheless, the Group has continued to increase its leasing income from markets other than the construction industry and event business although its financial effect was not material in 1H2022. For the generator business with Automatic Power System (“**APS**”) in the Smart System in Mobile Electricity (“**SSME**”), it has continuously contributed more revenues and profit to the Group in 1H2022.

For the trading business and disposal of leasing machines, the Group increased the revenues by selling and disposing more of its machines in Hong Kong and overseas in 1H2022.

For Macau, the demands in leasing machines increased and so the leasing revenue of AP Equipment Leasing and Engineering Limited (“**AP Macau**”) increased when compared to that of 1H2021 since AP Macau has shifted its focus from casino related work to government related work.

For Singapore, AP Equipment Rentals (Singapore) Pte. Limited (“**AP Singapore**”) recorded an increase in revenues in leasing of machinery and operating service income in 1H2022 because the construction industry in Singapore is recovering from the pandemic.

For the PRC, due to the debt crisis triggered by some giant property developers, the sentiment of the construction industry has been affected and credit crunch was created. AP Rentals (Shanghai) Limited*, (“**AP Shanghai**”), an indirect wholly-owned subsidiary of the Company, also had concern with the recoverability of the account receivable under such crisis. AP Shanghai is now leasing the machines to the customers mostly in cash basis and this might have affected the demands. However, the revenue from leasing of the machines still recorded an increase.

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

* For identification purposes only

OUTLOOK

The effect of the COVID-19 pandemic is still affecting the economy of each of Hong Kong, Macau, PRC and Singapore.

In Hong Kong, the Group's leasing business will still be focusing on its mobile power supplies and its related services with SSME concepts and the demands in key projects, namely, the Third Runway and the Kai Tak Sports Park. The Group will also actively explore any business opportunities in some new projects, namely the development of Lok Ma Chau Loop (it is one of the ten major infrastructure projects for economic growth announced by the Chief Executive of the Hong Kong Special Administrative Region in his Policy Address made in 2007) and relocation of Sha Tin sewage treatment works to Caverns. Furthermore, the Group will increase its event business after the epidemic has subsided in Hong Kong. For instance, the Hong Kong Brands and Products Expo 2021 will commence in the coming December.

The Group will also further expand the application of SSME system so as to improve the kinds of services provided to the customers in Hong Kong and thus to improve the revenues and profitability of the Group in Hong Kong. For machinery sales, there are still orders to be delivered in the second half of the financial year ending 31 March 2022 ("2H2022") for the Central Kowloon Route.

In Macau, AP Macau will continue to focus on government related work so as to increase the leasing revenues in the coming months.

For the PRC, the Group will closely monitor the effect of the debt crisis related to the construction industry in coming months. In order to improve the revenues and cash inflow of AP Shanghai, the Group will try to increase the machinery sales and dispose more of its leasing machines.

For Singapore, the business of AP Singapore is picking up and the Group would try its best to maintain such trend but at the same time, it would also increase its credit control so as to ensure its profitability.

Lastly, the Group will also increase its revenues in machinery trading and disposal locally and in the overseas in the later period of 2H2022.

FINANCIAL REVIEW

Revenue

For 1H2022, the Group recorded an increase in revenue of approximately HK\$0.3 million, with the total revenue amounting to approximately HK\$68.5 million for 1H2022, representing an increase of approximately 0.4% as compared to that of approximately HK\$68.2 million for 1H2021. The increase in revenue mainly resulted from the increase in all segments of business of the Group except for the leasing of machinery and operating service income.

(i) Leasing 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, the PRC and Singapore, decreased to approximately HK\$46.5 million in 1H2022 compared to that of approximately HK\$51.2 million in 1H2021.

As mentioned above, the revenue attributable to the Group's rental business in Hong Kong decreased in 1H2022 due to the decrease in demands of the Third Runway.

Rental income from rental services accounted for approximately 67.9% of the Group's total revenue for 1H2022 (1H2021: approximately 75.2%).

(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 1H2022, revenue from equipment operating services decreased by approximately 0.8% to approximately HK\$5.2 million (1H2021: approximately HK\$5.3 million), and accounted for approximately 7.6% of the Group's total revenue for 1H2022 (1H2021: approximately 7.7%).

(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 an increase and amounted to approximately HK\$3.0 million for 1H2022 (1H2021: approximately HK\$2.8 million). The Group's other service income accounted for approximately 4.4% of the Group's total revenue for 1H2022 (1H2021: approximately 4.1%). The increase was mainly due to the increase in transportation income.

(iv) Sales of machinery and spare parts

The revenue from sales of machinery and spare parts increased by approximately 54.9% from approximately HK\$8.9 million for 1H2021 to approximately HK\$13.7 million for 1H2022 mainly due to the increase in sales of machinery.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK\$58.6 million for 1H2022, representing a period-on-period decrease of approximately 3.3% (1H2021 approximately HK\$60.6 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 Group recorded a decrease of approximately HK\$0.5 million in machinery hiring expenses during the period under review when compared to that of 1H2021 because the Group used more of its leasing machines. Nevertheless, the Group has also increased its investment on leasing machines through purchases and transferred its stock machinery to leasing machines amounting to approximately HK\$19.8 million in 1H2022. However, the Group has also disposed of some machines with lower utilisation rates during 1H2022 and some machines have been fully depreciated in 1H2022, so the depreciation cost in 1H2022 decreased by approximately HK\$6.3 million. Staff costs under the cost of sales and services increased by approximately HK\$0.4 million only due to the increase in number of technicians for key projects, including the Third Runway. Costs for machinery and parts increased by approximately 43.9% due to the increase of revenue in machinery trading in 1H2022.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 30.7% from approximately HK\$7.5 million for 1H2021 to approximately HK\$9.9 million for 1H2022 and the Group's gross profit margin was approximately 14.4% for 1H2022 (1H2021: approximately 11.1%).

Other Income

The Group recorded other income amounting to approximately HK\$0.5 million in 1H2022 (1H2021: approximately HK\$4.5 million), which represented a decrease of approximately 89.6% from 1H2021. The decrease was due to not receiving of government subsidies in 1H2022 as compared to the government subsidies amounting to the equivalence of approximately HK\$3.8 million received in 1H2021, which represent the wage subsidies provided by the governments of Hong Kong and Macau 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\$6.5 million in 1H2022 (1H2021: approximately HK\$3.7 million), representing an increase of approximately 74.0% over 1H2021. The Group recorded an exchange gain of approximately HK\$0.1 million in 1H2022 (1H2021: approximately HK\$0.4 million) and an increase in gain on disposal of property, plant and equipment from approximately HK\$3.4 million in 1H2021 to approximately HK\$6.4 million in 1H2022 due to the increase in disposals of equipment.

Reversal of Impairment Losses under Expected Credit Loss Model Recognised on Lease Receivables and Trade Receivables, Net and the Impairment Loss Recognised on Property, Plant and Equipment

As at 30 September 2021, the receivables of the Group has been improved but the expected default risk has slightly increased. As such, reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net amounting to approximately HK\$0.2 million were booked in 1H2022 (1H2021: approximately HK\$0.9 million).

On the other hand, the Group has not recognised an impairment loss on property, plant and equipment for the Group in 1H2022 (1H2021: approximately HK\$6.2 million) due to the improvement in the market price of the construction equipment globally.

Administrative Expenses

For 1H2022, administrative expenses amounted to approximately HK\$16.6 million (1H2021: approximately HK\$15.5 million), representing an increase of approximately 7.1% over that of 1H2021. The increase in administrative expenses was mainly due to the increase of (i) salary (annual review and promotion); (ii) professional fees; and (iii) rent of office.

Selling and Distribution Expenses

For 1H2022, selling and distribution expenses amounted to approximately HK\$0.3 million (1H2021: approximately HK\$0.3 million).

Finance Cost

Finance costs mainly comprised interest on the Group's borrowings and trade payables to 株式会社力ナモト (Kanamoto Co., Ltd*) (“**Kanamoto Japan**”), a shareholder of the Company and strategic partner of the Group, which amounted to approximately HK\$0.7 million for 1H2022 (1H2021: approximately HK\$1.0 million). The decrease in interest was mainly due to the repayment of trade payables to Kanamoto Japan and repayment of some bank loans.

Profit (Loss) and Total Comprehensive Income (Expense) for 1H2022

The Group recorded profit attributable to owners of the Company of approximately HK\$0.1 million for 1H2022 (1H2021: loss attributable to owners of the Company of approximately HK\$5.9 million), representing a profit margin of approximately 0.2% (1H2021: loss margin of approximately 8.7%). The profit attributable to owners of the Company in 1H2022 was due to the reasons stated under the section headed “Group Overview” of this announcement. The total comprehensive income for 1H2022 was approximately HK\$0.4 million (1H2021: total comprehensive expense of approximately HK\$5.4 million).

Capital Expenditure

The Group's capital expenditures in 1H2022 primarily comprised expenditures on leasing machinery, vehicles and office equipment, amounting to a total of approximately HK\$18.7 million (for the year ended 31 March 2021: approximately HK\$24.8 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 96.6% of the total capital expenditure for 1H2022.

* For identification purposes only

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 30 September 2021, the Group had bank balances and cash equivalents of approximately HK\$60.1 million (as at 31 March 2021: approximately HK\$38.4 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\$18.8 million (as at 31 March 2021: approximately HK\$9.6 million) that were denominated in Hong Kong Dollars.

As at 30 September 2021, the Group had banking facilities of approximately HK\$57.4 million (as at 31 March 2021: approximately HK\$43.9 million), of which approximately HK\$33.1 million (as at 31 March 2021: approximately HK\$23.4 million) had been drawn down, and approximately HK\$24.3 million (as at 31 March 2021: approximately HK\$20.5 million) were unutilised.

As at 30 September 2021, the gearing ratio of the Group was nil (as at 31 March 2021: 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, 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 2021, 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, associated companies and joint ventures during 1H2022.

Significant Investments

As at 30 September 2021, the Group did not have any significant investments.

Capital Commitments

As at 30 September 2021, the Group had capital commitments of approximately HK\$4.8 million (as at 31 March 2021: approximately HK\$1.8 million) to acquire leasing equipment for the Group.

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

Pledge of Assets

As at 30 September 2021, deposit placed for a life insurance policy of approximately HK\$2.9 million (as at 31 March 2021: approximately HK\$2.8 million), leasing machines of approximately HK\$7.8 million as at 30 September 2021 (as at 31 March 2021: approximately HK\$8.6 million), and bank deposits of approximately HK\$0.4 million (as at 31 March 2021: approximately HK\$0.4 million) have been pledged to secure the Group's borrowings of approximately HK\$18.8 million (as at 31 March 2021: approximately HK\$9.6 million).

Segment Information

Segment 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 2021, the Group had 127 employees (as at 31 March 2021: 116 employees), of which 117 employees were in Hong Kong (as at 31 March 2021: 106 employees), 4 employees were in Macau (as at 31 March 2021: 4 employees), 3 employees were in Singapore (as at 31 March 2021: 3 employees) and 3 employees were in PRC (as at 31 March 2021: 3 employees). Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time. In addition to basic remuneration, the Group also provides medical insurance, makes contributions to provident funds and provides other benefits to the employees. The total staff cost including remuneration, other benefits and contributions to retirement schemes for the directors of the Company and other staff of the Group for 1H2022 amounted to approximately HK\$22.3 million (1H2021: approximately HK\$21.7 million). The increase in staff cost was mainly due to the increase in headcount of technicians, promotion of some staff and annual salary review of staff.

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 2021, 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 1H2022, 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.

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.

Corporate governance practices of the Company in 1H2022 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 2021.

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 1H2022.

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

In 1H2022, 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 1H2022 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 2022.

Publication of Interim Report

The interim report of the Company for 1H2022 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 2021

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.