AP RENTALS HOLDINGS LIMITED
亞積邦租賃控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1496)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

GROUP FINANCIAL HIGHLIGHTS

	For the year ended 31 March		
	2022	2021	
	HK$'000	*HK$'000*	*Change in %*
Revenue	**134,798**	148,450	(9.2%)
Gross profit	**20,593**	18,487	11.4%
Loss for the year	**(4,455)**	(5,684)	(21.6%)
Loss per share			
Basic (HK cents)	**(0.52)**	(0.66)	
Gross profit margin	**15.3%**	12.5%	
Loss margin	**(3.3%)**	(3.8%)	
Return on equity	**(2.1%)**	(2.6%)	

* *For identification purposes only*

RESULTS

The board of directors (the "**Board**") of AP Rentals Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2022 together with comparative figures of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Revenue	*4*		
Goods and services		**37,362**	46,577
Leasing of equipment		**97,436**	101,873
Total revenue		**134,798**	148,450
Cost of sales and services		**(114,205)**	(129,963)
Gross profit		**20,593**	18,487
Other income	*5*	**784**	6,576
Other gains and losses	*6*	**9,443**	5,966
Reversal of (impairment losses) recognised on property, plant and equipment, net		**2,435**	(5,363)
(Impairment losses) reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net		**(2,255)**	1,516
Administrative expenses		**(34,088)**	(31,412)
Selling and distribution expenses		**(720)**	(483)
Finance costs	*7*	**(1,187)**	(1,823)
Loss before tax		**(4,995)**	(6,536)
Income tax credit	*8*	**540**	852
Loss for the year	*9*	**(4,455)**	(5,684)
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**581**	1,062
Total comprehensive expense for the year		**(3,874)**	(4,622)
Loss per share — basic (HK cents)	*11*	**(0.52)**	(0.66)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	Notes	**2022** **HK$'000**	2021 *HK$'000*
Non-current Assets			
Property, plant and equipment		**193,812**	189,467
Right-of-use assets		**3,348**	5,663
Prepayments and deposits paid for acquisition of property, plant and equipment	*12*	**2,455**	421
Rental deposits	*12*	**650**	650
Deposit placed for a life insurance policy		**2,919**	2,835
Deferred tax assets		**138**	138
		203,322	199,174
Current Assets			
Inventories		**22,308**	30,672
Trade and other receivables, deposits and prepayments	*12*	**36,963**	42,089
Pledged bank deposit		**360**	360
Bank balances and cash		**55,717**	38,394
		115,348	111,515
Current Liabilities			
Trade and other payables and accrued charges	*13*	**34,839**	31,158
Contract liabilities		**7,965**	10,583
Receipts in advance		**4,663**	655
Tax liabilities		**1,097**	2,225
Borrowings — due within one year		**25,213**	9,630
Loans from a related company		**2,829**	3,032
Lease liabilities		**2,509**	3,525
		79,115	60,808
Net Current Assets		**36,233**	50,707
Total Assets less Current Liabilities		**239,555**	249,881

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Non-current Liabilities			
Trade payable	*13*	**–**	7,029
Borrowings		**2,482**	–
Deferred tax liabilities		**23,885**	24,845
Lease liabilities		**929**	1,874
		27,296	33,748
Net Assets		**212,259**	216,133
Capital and Reserves			
Issued capital	*14*	**864**	864
Reserves		**211,395**	215,269
Total Equity		**212,259**	216,133

NOTES:

1. GENERAL INFORMATION

AP Rentals Holdings Limited (the "**Company**") was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 11 June 2015. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 8 April 2016. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Unit 806A, 8th Floor, Tower II, South Seas Centre, No. 75 Mody Road, Kowloon, Hong Kong.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 April 2021 for the preparation of the 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

In addition, the Group applied the agenda decision ("**Agenda Decision**") of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost.

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[1]

[1] Effective for annual periods beginning on or after 1 January 2022
[2] Effective for annual periods beginning on or after 1 January 2023
[3] Effective for annual periods beginning on or after a date to be determined

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the deposit placed for a life insurance policy that is measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment* ("**HKFRS 2**"), leasing transactions that are within the scope of HKFRS 16 *Leases* ("**HKFRS 16**"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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

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

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

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

3.2 Significant accounting policies

Basis of consolidation

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

- has power over the investee;

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

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

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

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

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

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

Business combination

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting issued in October 2010*).

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

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

<u>Classification and subsequent measurement of financial assets</u>

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

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

<u>Impairment of financial assets and other item subject to impairment assessment under HKFRS 9</u>

The Group performs impairment assessment under ECL model on financial assets (including rental deposits, trade and other receivables, pledged bank deposit and bank balances) and lease receivables which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables and lease receivables.

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

(i) Significant increase in credit risk

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

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

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

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

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

Irrespective of the outcome of the above assessment, there is a rebuttable presumption that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, except for those the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, there is rebuttable presumption that default does not occur later than when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Lifetime ECL for certain trade receivables and lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped with reference to the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of lease receivables and trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, borrowings and loans from a related company) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flow is required by interest rate benchmark reform if and only if both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation (including repair and maintenance services, installation services and delivery services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

<u>Output method</u>

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

The Group as a lessor

Classification and measurement of leases

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

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

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

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies *HKFRS 15 Revenue from Contracts* with Customers to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred as the Group does not have any qualifying asset, which is asset that necessarily take a substantial period of time to get ready for its intended use or sale.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including Mandatory Provident Fund Scheme (the "**MPF**" Scheme) and state-managed retirement benefit schemes, are recognised as an expense when employees have rendered service entitling them to the contributions.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 March 2022					
	Sales of machinery and parts *HK$'000*	Lease related operating services *HK$'000*	Repair and maintenance service *HK$'000*	Delivery service *HK$'000*	Installation service *HK$'000*	Total *HK$'000*
Geographical markets						
Hong Kong	**17,511**	**11,826**	**3,229**	**3,436**	**163**	**36,165**
Macau	**225**	**10**	**69**	**302**	**17**	**623**
People's Republic of China ("**PRC**")	**21**	**–**	**–**	**–**	**–**	**21**
Singapore	**–**	**529**	**6**	**18**	**–**	**553**
Total	**17,757**	**12,365**	**3,304**	**3,756**	**180**	**37,362**
Timing of revenue recognition						
A point in time	**17,757**	**–**	**–**	**3,756**	**–**	**21,513**
Over time	**–**	**12,365**	**3,304**	**–**	**180**	**15,849**
Total	**17,757**	**12,365**	**3,304**	**3,756**	**180**	**37,362**

	For the year ended 31 March 2021					
	Sales of machinery and parts *HK$'000*	Lease related operating services *HK$'000*	Repair and maintenance service *HK$'000*	Delivery service *HK$'000*	Installation service *HK$'000*	Total *HK$'000*
Geographical markets						
Hong Kong	27,316	12,153	2,745	3,117	186	45,517
Macau	199	–	45	152	4	400
PRC	8	–	–	–	–	8
Singapore	–	624	–	28	–	652
Total	27,523	12,777	2,790	3,297	190	46,577
Timing of revenue recognition						
A point in time	27,523	–	–	3,297	–	30,820
Over time	–	12,777	2,790	–	190	15,757
Total	27,523	12,777	2,790	3,297	190	46,577

Set out below is the reconciliation of the revenue from contracts with customers disclosed in the segment information with the total revenue disclosed in the consolidated statement of profit or loss and other comprehensive income.

	2022	2021
	HK$'000	*HK$'000*
Lease related operating services and other services	**19,605**	19,054
Trading	**17,757**	27,523
Revenue from contracts with customers per segment	**37,362**	46,577
Leasing of equipment	**97,436**	101,873
Total revenue	**134,798**	148,450

(ii) Performance obligations for contracts with customers

Sales of machinery and parts

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

Revenue is recognised when control of the goods has transferred, being when the goods have been accepted by the customer. The customer has full discretion over the usage of the goods, and has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 0 to 90 days upon invoice issued.

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

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

Lease related operating services income

The Group offers equipment operating services in Hong Kong and other geographical markets by sending equipment operators to operate the equipment at the job sites of its customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The normal credit term is 0 to 45 days upon invoice issued. The invoice is issued upon the completion of service.

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

Lease related other services income

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

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

(iii) Leases

	2022	2021
	HK$'000	*HK$'000*
For operating leases:		
Lease payments that are fixed	**97,436**	101,873

For the years ended 31 March 2022 and 2021, there is no contingent rental recognised.

(b) Segment information

For management purpose, the Group is organised based on its business activities. The Group determines its operating segments based on these business activities that are regularly reviewed by the chief operating decision maker, i.e. the executive directors of the Company, for the purpose of resources allocation and performance assessment.

Specifically, the Group's reportable and operating segments under HKFRS 8 Operating Segments are as follows:

Leasing	—	Leasing of equipment, lease related operating services, repair and maintenance service, delivery service and installation service
Trading	—	Sales of machinery and parts

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

Segment revenue and results

For the year ended 31 March 2022

	Leasing	**Trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Segment revenue from external customers	**117,041**	**17,757**	**134,798**
Results			
Segment results	**22,169**	**437**	**22,606**
Unallocated income			**78**
Unallocated expenses			**(27,679)**
Consolidated loss before tax of the Group			**(4,995)**

For the year ended 31 March 2021

	Leasing	Trading	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Segment revenue from external customers	120,927	27,523	148,450
Results			
Segment results	15,228	2,966	18,194
Unallocated income			995
Unallocated expenses			(25,725)
Consolidated loss before tax of the Group			(6,536)

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of certain interest income and sundry income, exchange 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 according to operating results of each segment. No analysis of segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Other segment information

For the year ended 31 March 2022

	Leasing *HK$'000*	**Trading** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Reversal of impairment losses recognised on property, plant and equipment, net	**2,435**	**–**	**–**	**2,435**
Impairment losses recognised on lease receivables and trade receivables, net	**2,218**	**37**	**–**	**2,255**
Write-down on inventories	**–**	**630**	**–**	**630**
Depreciation of property, plant and equipment	**53,473**	**7**	**863**	**54,343**
Depreciation of right-of-use assets	**3,991**	**–**	**86**	**4,077**
Gain on disposal of property, plant and equipment	**8,698**	**–**	**–**	**8,698**

For the year ended 31 March 2021

	Leasing *HK$'000*	Trading *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Impairment losses recognised on property, plant and equipment	5,363	–	–	5,363
Reversal of impairment losses recognised on lease receivables and trade receivables, net	1,017	499	–	1,516
Depreciation of property, plant and equipment	65,375	40	880	66,295
Depreciation of right-of-use assets	2,943	–	84	3,027
Gain on disposal of property, plant and equipment	5,385	–	–	5,385

Geographical information

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

	2022 *HK$'000*	2021 *HK$'000*
External revenue:		
Hong Kong	**122,583**	140,184
Macau	**7,004**	5,842
PRC	**1,012**	617
Singapore	**4,199**	1,807
	134,798	148,450

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

	2022	2021
	HK$'000	*HK$'000*
Non-current assets:		
Hong Kong	**178,980**	179,719
Macau	**4,208**	2,895
PRC	**14,197**	9,370
Singapore	**2,230**	3,567
	199,615	195,551

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

Information about major customers

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

	2022	2021
	HK$'000	*HK$'000*
Customer A	**13,744**	28,275

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

5. OTHER INCOME

	2022	2021
	HK$'000	*HK$'000*
Interest income from:		
— bank deposits	**41**	6
— deposit placed for a life insurance policy	**95**	94
Storage income	**–**	429
Government grants *(Note)*	**165**	5,677
Sundry income	**483**	370
	784	6,576

Note: During the year ended 31 March 2022, the Group recognised government grants of HK$29,000 in respect of Covid-19-related subsidies in Singapore under Job Support and Wage Credit Scheme(s) provided by the Singapore government. The remaining government grant of HK$136,000 represented the subsidies under ex-gratia payment scheme provided by the Hong Kong government. During the year ended 31 March 2021, the Group recognised government grants of HK$5,457,000, HK$73,000 and HK$147,000 in respect of Covid-19-related subsidies provided by the Hong Kong, Macau and Singapore governments respectively.

6. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Exchange gain, net	**745**	581
Gain on disposal of property, plant and equipment	**8,698**	5,385
	9,443	5,966

7. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on borrowings	**586**	734
Interest on trade payables	**379**	657
Interest on lease liabilities	**136**	255
Imputed interest on loans from a related company	**86**	177
	1,187	1,823

8. INCOME TAX CREDIT

	2022	2021
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**610**	219
Overprovision in prior years		
Hong Kong Profits Tax	**(190)**	–
Deferred tax	**(960)**	(1,071)
	(540)	(852)

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2022.

For the subsidiary registered in Macau, Macau Complementary Income Tax is calculated at 12% of the estimated assessable profit exceeding MOP600,000 after the deduction of dividend paid for both years. No provision for Macau Complementary Income Tax had been made as it had no assessable profits for the current year.

For subsidiary registered in the PRC, 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%.

For the subsidiary registered in Singapore which is subject to Singapore income tax at 17% (2021: 17%). No provision for Singapore income tax had been made as it had no assessable profits for both years.

9. LOSS FOR THE YEAR

	2022	2021
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**1,657**	1,630
Cost of inventories recognised as expenses	**9,953**	20,054
Depreciation of property, plant and equipment	**54,343**	66,295
Depreciation of right-of-use assets	**4,077**	3,027
Write-down on inventories	**630**	–
Staff costs:		
Directors' emoluments	**6,724**	6,746
Other staff costs:		
— Salaries, allowances and other benefits	**43,034**	37,755
— Retirement benefits scheme contributions	**1,495**	1,432
	44,529	39,187
Total staff costs	**51,253**	45,933

Note: The Group has established the MPF Scheme for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions recognised in profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000 (2021: HK$30,000) per month.

The eligible employees of the Company's subsidiaries in the Macau, the PRC and Singapore are members of pension schemes operated respective local governments. The subsidiary in Macau is required to contribute MOP60 for every employee per month. The subsidiary in the PRC is required to contribute a certain percentage ranging from 0.2% to 14% of the relevant cost of the payroll of these employees to the pension schemes to fund the benefits. The subsidiary in Singapore is required to contribute 16% of the employee's monthly gross salary. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contribution under the schemes.

The total costs charged to profit or loss for the year of HK$1,561,000 (2021: HK$1,504,000), comprised HK$66,000 and HK$1,495,000 (2021: HK$72,000 and HK$1,432,000) in directors' emoluments and other staff costs respectively, and represented contributions paid or payable to the schemes by the Group in respect of the current year. At the end of the reporting period, there were no forfeited contributions available to reduce future obligations.

10. DIVIDEND

No dividend were paid and proposed for the year ended 31 March 2022 and 2021.

11. LOSS PER SHARE

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

	2022	2021
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**(4,455)**	(5,684)
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**864,000**	864,000

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

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

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022	2021
	HK$'000	*HK$'000*
Lease receivables from:		
— outsiders	**43,501**	43,906
— a related company	**212**	212
Less: Allowance for expected credit losses	**(12,838)**	(10,620)
	30,875	33,498
Trade receivables from contracts with customers	**1,616**	3,331
Less: Allowance for expected credit losses	**(216)**	(179)
	1,400	3,152
Other receivables	**98**	98
Value added tax recoverable	**1,694**	1,260
Rental deposits paid	**650**	650
Other deposits and prepayments	**5,351**	4,502
	40,068	43,160
Analysed as:		
Current	**36,963**	42,089
Non-current — prepayments and deposits paid for acquisition of property, plant and equipment	**2,455**	421
Non-current — rental deposits	**650**	650
	40,068	43,160

As at 1 April 2020, trade receivables from contracts with customers amounted to HK$5,161,000.

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

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**11,930**	13,567
31 to 60 days	**10,264**	12,295
61 to 90 days	**4,030**	4,038
91 to 180 days	**3,265**	6,222
Over 180 days	**2,786**	528
	32,275	36,650

During both years, the normal credit term of the lease receivables is 0 to 90 days upon invoice issued and the normal credit term of the trade receivables is 0 to 90 days upon invoice issued.

As at 31 March 2022, included in the Group's lease receivables and trade receivables balances are debtors with aggregate carrying amount of HK$25,632,000 (2021: HK$29,037,000) which were past due at the end of the reporting period. Out of the past due balances as at 31 March 2022, HK$6,494,000 (2021: HK$10,244,000) has been past due 90 days or more and are not considered as in default as debtors normally will settle the outstanding balances after 90 days overdue with reference to the debtors settlement pattern. The Group does not hold any collateral over these balances.

13. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**3,302**	2,980
Trade payables for acquisition of property, plant and equipment *(Note a)*	**17,446**	22,546
Accrued expenses *(Note b)*	**12,034**	10,468
Other payables *(Note c)*	**2,057**	2,193
	34,839	38,187
Analysed as:		
Current	**34,839**	31,158
Non-current		
— trade payable to a shareholder of the Company	**–**	7,029
	34,839	38,187

Notes:

(a) As at 31 March 2022, included in trade payables is HK$7,029,000 payable to a shareholder of the Company (2021: HK$14,438,000 payable to a shareholder of the Company). Except for a trade payable of HK$7,029,000 (2021: HK$14,438,000), carrying on an interest rate of 3.6% per annum and payable by 36 and 32 monthly instalments from 25 March 2020 and 25 June 2020 respectively, other trade payables are under normal credit term granted by suppliers. The credit period on trade payables is ranging from 0 to 180 days (2021: 0 to 180 days).

(b) As at 31 March 2022, included in accrued expenses are mainly accrued staff costs of HK$7,760,000 (2021: HK$5,205,000).

(c) As at 31 March 2022 and 2021, included in other payables are mainly professional fee payable, insurance payable and other utility payable.

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

	2022	2021
	HK$'000	*HK$'000*
Within 30 days	**3,491**	4,651
31 to 60 days	**1,641**	1,298
61 to 90 days	**5,551**	98
91 to 180 days	**1,653**	3,597
Over 180 days	**8,412**	15,882
	20,748	25,526

14. ISSUED CAPITAL

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$0.001 each		
Authorised:		
At 1 April 2020, 31 March 2021 and 31 March 2022	10,000,000,000	10,000
Issued:		
At 1 April 2020, 31 March 2021 and 31 March 2022	864,000,000	864

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

The Group strives to serve our valuable customers better with the provision of the equipment rental-related solutions and value-added services. For the year ended 31 March 2022 ("**FY2022**"), the Group recorded a loss of approximately HK$4.5 million when comparing to the loss amounting to approximately HK$5.7 million for the year ended 31 March 2021 ("**FY2021**"). The reduction in loss was mainly due to the net effect of:

1. increase in impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net for the Group in FY2022 amounting to approximately HK$2.3 million was recorded, when comparing to the reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net for the Group in FY2021 amounting to approximately HK$1.5 million, due to the increase of the expected credit losses of the Group caused by (i) the Russia-Ukraine military conflict; (ii) aggressiveness of monetary tightening in major economies (except 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**")); and (iii) the outbreak of Covid-19 pandemic in Hong Kong since January 2022;

2. the Group only received the government subsidies amounting to the equivalent of approximately HK$0.2 million, which represent the wage subsidies provided by the government of Singapore, for supporting the employment and helping business tide over financial difficulties due to the Covid-19 pandemic and the subsidies under ex-gratia payment scheme provided by the Hong Kong government (FY2021: equivalent to approximately HK$5.7 million; being provided by the governments of Hong Kong, Macau and Singapore). For details, please refer to note 5 of this announcement;

3. increase in administrative expenses amounting to approximately HK$34.1 million in FY2022 (FY2021: approximately HK$31.4 million) which was mainly due to the hiring of more management staff for the Group and increase in compliance cost due to the change of requirements on the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**");

4. reversal of impairment losses recognised on property, plant and equipment, net amounting to equivalent of approximately HK$2.4 million (FY2021: impairment losses recognised on property, plant and equipment, net amounting to approximately HK$5.4 million) in Hong Kong, Singapore and the PRC due to the increase of disposal of leasing equipment during FY2022;

5. increase in the gain on disposal of property, plant and equipment amounting to approximately HK$8.7 million in FY2022 (FY2021: approximately HK$5.4 million) as the Group has increased the disposal of leasing equipment in FY2022; and

6. increase in gross profit in FY2022 to approximately HK$20.6 million when comparing with the gross profit in FY2021 of approximately HK$18.5 million, which was mainly due to the decrease in depreciation expenses in FY2022.

For FY2022, the Group recorded revenue of approximately HK$134.8 million, representing a decrease of approximately 9.2% as compared to that of approximately HK$148.5 million for FY2021. For FY2022, the Group recorded gross profit of approximately HK$20.6 million, representing an increase of approximately 11.4% as compared to that of approximately HK$18.5 million for FY2021. The gross profit margin for FY2022 increased to approximately 15.3% (FY2021: approximately 12.5%). Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in FY2022.

Loss attributable to owners of the Company was approximately HK$4.5 million in FY2022 (FY2021: approximately HK$5.7 million).

Basic loss per share attributable to owners of the Company for FY2022 was HK0.52 cents (FY2021: HK0.66 cents).

BUSINESS OVERVIEW

During FY2022, the demands from the third runway and the improvement works of the Hong Kong International Airport (the "**Third Runway & Improvements**") and the Kai Tak Sports Park (the "**KTS Park**") were the main sources of leasing income but the demands from the Third Runway & Improvements reduced materially in the second half of FY2022 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 outbreak of Covid-19 pandemic in Hong Kong since January 2022 has further affected the demands of the construction work for the leasing equipment as the progress of most of the construction work sites was delayed due to the lack of workers. All the event business in Hong Kong ceased in January 2022 and the Group lost equipment leasing income from the event related business. On the other hand, the Group got orders of leasing equipment for the construction and operation of the community isolation facilities, which were built and operated by the Hong Kong government with the central government's support due to the outbreak of the Covid-19 pandemic in January 2022. For the generator business with Automatic Power System ("**APS**") in the Smart System in Mobile Electricity ("**SSME**"), the Group continuously devoted efforts to enhance its values to the customers and made further promotion of the SSME solution to the market, which had increased the leasing revenues of the Group in power supply business in FY2022.

For the trading business and disposal of equipment, the Group has largely increased the disposal of its equipment in Hong Kong and overseas, which had led to increase in disposal proceeds and gain on disposal of property, plant and equipment. However, the revenue generated from trading business decreased to approximately HK$17.8 million in FY2022 (FY2021: approximately HK$27.5 million) since the Group has devoted more effort on the disposal of leasing equipment.

For Macau, in FY2022, the revenue of AP Equipment Leasing and Engineering Limited ("**AP Macau**") increased to approximately HK$7.0 million (FY2021: approximately HK$5.8 million). Such increase was due to the continuously shifting of AP Macau's focus to government related work.

For Singapore, due to the uplift of the lockdown, the demand of leasing of equipment from construction industry was increased significantly (FY2022: approximately HK$4.2 million whereas in FY2021: approximately HK$1.8 million).

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. In early 2022, the outbreak of the Covid-19 pandemic in some of the provinces in the PRC has further damaged the economic momentum in the PRC. 亞積邦建設工程機械(上海)有限公司 (AP Rentals (Shanghai) Limited*), ("**AP Shanghai**"), an indirect wholly-owned subsidiary of the Company, also had concern with the recoverability of the account receivables under such crisis. AP Shanghai is now leasing the equipment to the customers mostly in cash basis and this might have affected the demands as most of the customers are lack of cash. However, the revenue from leasing of the equipment still recorded an increase. In addition, AP Shanghai has disposed of its leasing equipment so that it can generate the funding for changing its product types so as to keep abreast of the market demands.

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

PROSPECT

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

In Hong Kong, in the first quarter of the year ending 31 March 2023 (the "**FY2023**"), the Group is still involved in the leasing of equipment for the community isolation facilities, which were built and operated by the Hong Kong government with the central government's support due to the outbreak of the Covid-19 pandemic in Hong Kong in January 2022.

* *For identification purposes only*

In FY2023, the Group will continue to devote more effort in promoting its business on mobile power supplies and its related services with SSME concepts, which will be packaged as the ultimate solution for the customers in power supplies that also address the increasing concerns from the community on environmental protection and social responsibilities aspects. The Group will also grasp every opportunity regarding demands on leasing equipment in key projects, namely, the Third Runway & Improvements and the KTS Park.

For machinery sales and disposal of the equipment, the Group will also devote more effort so as to increase the machinery sale and disposal of the equipment in Hong Kong and overseas in FY2023. The Group will increase its investment on e-commerce so as to support the growth of trading business. As such, the Group expects that it will be able to generate more funds for financing advanced machines and new products so as to cater market needs.

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

In the PRC, the Group will closely monitor the effect of the debt crisis related to the construction industry and the effect of the Covid-19 pandemic in the PRC in the coming months. The Group will not expect material improvement in the demand in leasing equipment in PRC in FY2023. 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 equipment. For leasing of equipment, the Group will try to re-invest the disposal proceeds for other products, which are highly demanded in the market in the PRC in FY2023.

In Singapore, the business of AP Singapore is expected to be continuously picking up in FY2023 but at the same time, it would also increase its credit control so as to ensure its profitability.

FINANCIAL REVIEW

Revenue

For FY2022, the Group recorded a decrease in revenue of approximately HK$13.7 million, with the total revenue amounting to approximately HK$134.8 million for FY2022, representing a decrease of approximately 9.2% as compared to that of approximately HK$148.5 million for FY2021. The decrease in revenue mainly resulted from the decrease in revenues in leasing of equipment and its related operating services and machinery sale of the Group.

(i) Lease of equipment

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, decreased to approximately HK$97.4 million in FY2022 as compared to that of approximately HK$101.9 million in FY2021.

As mentioned above, the Group's rental business in Hong Kong dropped in FY2022 due to the reasons mentioned in the section headed "Business Overview" above.

Leasing income of equipment accounted for approximately 72.3% of the Group's total revenue for FY2022 (FY2021: approximately 68.6%). The increase of the above percentage was due to the decrease in the machinery sale.

(ii) Operating services income

The Group offers equipment operating services in Hong Kong and Singapore by providing equipment operators to operate the equipment at the job sites of its customers. For FY2022, revenue from equipment operating services decreased by approximately 3.2% to approximately HK$12.4 million (FY2021: approximately HK$12.8 million), and accounted for approximately 9.2% of the Group's total revenue for FY2022 (FY2021: approximately 8.6%). The decrease in operating services income for FY2022 was attributable to the fact that the demand of leasing of equipment in Hong Kong decreased and the demand for its related equipment operating services in Hong Kong also decreased accordingly.

(iii) Other service income

The Group's other service income, which arises from rental arrangements including repair and maintenance, delivery and installation services during the rental period, recorded an increase amounting to approximately HK$7.2 million for FY2022 (FY2021: approximately HK$6.3 million). The Group's other service income accounted for approximately 5.4% of the Group's total revenue for FY2022 (FY2021: approximately 4.2%). The increase mainly came from the increase in delivery service of approximately HK$0.4 million and the repair and maintenance service of approximately HK$0.5 million.

(iv) Sales of machinery and parts

The revenue from sales of machinery and parts decreased by approximately 35.5% from approximately HK$27.5 million for FY2021 to approximately HK$17.8 million for FY2022 due to the net effect of (i) the decrease in sales of machinery due to delay of delivery so as to cope with customer's working schedule (as requested by a customer); (ii) the Group has devoted more effort on disposal of its leasing equipment; and (iii) an increase in sales of parts.

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$114.2 million for FY2022, representing a period-on-period decrease of approximately 12.1% (FY2021: approximately HK$130.0 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$0.9 million in machinery hiring expenses during the period under review when compared to that of FY2021 as the Group increased its net investment in leasing equipment in FY2022. In FY2022, the Group disposed of equipment with the costs of approximately HK$35.5 million (FY2021: approximately HK$15.0 million). Nevertheless, the Group has also increased its investment on equipment and transferred from its inventories to equipment heavily, especially in the second half of FY2022, which were used for leasing purpose and met the market demands, amounting to approximately HK$74.5 million in FY2022 (FY2021: approximately HK$28.7 million). Despite the fact that the net effect of new investment on equipment, transferred from its inventories to equipment and disposal of equipment at cost was approximately HK$39.0 million (FY2021: approximately HK$13.7 million), the depreciation of property, plant and equipment under the cost of sales and services in FY2022 decreased by approximately HK$12.0 million. The decrease in depreciation expenses was due to the fact that most of the purchases of new equipment were made in late FY2022 but the disposal of equipment was conducted since the outset of FY2022 and some of the equipment had been fully depreciated in early FY2022. Staff costs under the cost of sales and services increased by approximately HK$2.4 million due to the hiring of more technician staff so as to strengthen the service rendered to the customers. Cost of inventories recognised as expenses decreased by approximately 50.4% when comparing with FY2021 due to the decrease of sale of machinery in FY2022.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately 11.4% from approximately HK$18.5 million for FY2021 to approximately HK$20.6 million for FY2022 and the Group's gross profit margin increased to approximately 15.3% for FY2022 (FY2021: approximately 12.5%).

Other Income

The Group recorded other income amounting to approximately HK$0.8 million in FY2022 (FY2021: approximately HK$6.6 million), which represented a decrease of approximately 88.1% from FY2021. The net decrease was due to the decrease in the government grants received in FY2022. For details, please refer to the section headed "Group Overview" above.

Other Gains and Losses

Other gains and losses amounted to approximately HK$9.4 million in FY2022 (FY2021: approximately HK$6.0 million), representing an increase of approximately 58.3% over FY2021. The Group recorded an exchange gain, net of approximately HK$0.7 million in FY2022 (FY2021: approximately HK$0.6 million) and a gain on disposal of property, plant and equipment of approximately HK$8.7 million in FY2022 (FY2021: approximately HK$5.4 million).

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

As at 31 March 2022, the Group has made impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net of approximately HK$2.3 million while the Group made a reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net amounting to approximately HK$1.5 million in FY2021. For details, please refer to the section headed "Group Overview" above.

On the other hand, the Group has made a reversal of impairment losses recognised on property, plant and equipment, net amounting to approximately HK$2.4 million in FY2022 (FY2021: it was an impairment losses recognised on property, plant and equipment, net of approximately HK$5.4 million). For details, please refer to the section headed "Group Overview" above.

Administrative Expenses

For FY2022, administrative expenses amounted to approximately HK$34.1 million (FY2021: approximately HK$31.4 million), representing an increase of approximately 8.5% over FY2021. The increase in administrative expenses was mainly due to (i) the hiring of more management staff and the annual salary review of the staff and (ii) increase in professional fees for compliance purposes.

Selling and Distribution Expenses

For FY2022, selling and distribution expenses amounted to approximately HK$0.7 million (FY2021: approximately HK$0.5 million). The increase was mainly due to expenses incurred for market research amounting to approximately HK$0.2 million in FY2022 (FY2021: nil).

Finance Costs

Finance costs comprised interest on the Group's borrowings and trade payables to Kanamoto Co., Ltd ("**Kanamoto Japan**"), a shareholder of the Company and strategic partner of the Group, which amounted to approximately HK$1.2 million (FY2021: approximately HK$1.8 million). The trade payables to Kanamoto Japan carried an interest rate of 3.6% per annum and payable by 36 and 32 monthly instalments from 25 March 2020 and 25 June 2020 respectively, which amounted to approximately HK$0.4 million for FY2022 (FY2021: approximately HK$0.7 million). The decrease in interest was mainly because the interest paid for the trade payables to Kanamoto Japan decreased while the outstanding amount of the trade payables to Kanamoto Japan decreased through each monthly repayment made during FY2022.

Loss and Total Comprehensive Expenses for FY2022

The Group recorded loss attributable to owners of the Company of approximately HK$4.5 million for FY2022 (FY2021: approximately HK$5.7 million), representing a loss margin of approximately 3.3% (FY2021: approximately 3.8%). The reduction of the loss attributable to owners of the Company in FY2022 was mainly due to those reasons stated under the section headed "Group Overview" above.

Capital Expenditure

The Group's capital expenditures in FY2022 primarily comprised expenditures on machinery, vehicle, leasehold improvement and office equipment, amounting to a total of approximately HK$66.3 million (FY2021: approximately HK$24.8 million). The vast majority of the capital expenditures were used to fund the expansion of the Group's owned leasing fleet, which accounted for approximately 99.7% of the total capital expenditure for FY2022.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 31 March 2022, the Group had bank balances and cash equivalents of approximately HK$55.7 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, Euro and Chinese Yuan, and had borrowings of approximately HK$27.7 million (as at 31 March 2021: approximately HK$9.6 million) that were mainly denominated in Hong Kong Dollars and in United States Dollars.

As at 31 March 2022, the Group had banking facilities of approximately HK$74.7 million (as at 31 March 2021: approximately HK$43.9 million), of which approximately HK$27.7 million (as at 31 March 2021: approximately HK$23.4 million) had been drawn down, and approximately HK$47.0 million (as at 31 March 2021: approximately HK$20.5 million) were unutilised.

As at 31 March 2022, 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, Euro, 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 31 March 2022, 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 disposals of subsidiaries, associated companies and joint ventures during FY2022.

Significant Investments

As at 31 March 2022, the Group did not have any significant investments.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As at 31 March 2022, the Group had capital commitments of approximately HK$22.5 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 31 March 2022, deposit placed for a life insurance policy of approximately HK$2.9 million (as at 31 March 2021: approximately HK$2.8 million), leasing equipment of approximately HK$6.9 million as at 31 March 2022 (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$23.6 million (as at 31 March 2021: approximately HK$9.6 million).

Segmental Information

Segmental information is presented for the Group as disclosed in note 4(a) and 4(b) of this announcement.

Human Resources and Employees' Remuneration

As at 31 March 2022, the Group had 130 employees (as at 31 March 2021: 116 employees), of which 120 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 FY2022 amounted to approximately HK$51.3 million (FY2021: approximately HK$45.9 million). The increase in staff cost was mainly due to the increase in headcount of technicians, operators and management staff, and annual salary review of the staff 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 that they are equipped with the necessary skills and knowledge to perform their duties. Such seminars include training regarding the equipment structures, operational features, operator safety training and equipment repair. In addition to the training jointly conducted by manufacturers and the Group, the Group's technical staff also attend external training courses and obtain relevant certificates.

Share Option Scheme

To attract and retain the most suitable personnel for development of the Group, the Group has adopted the share option scheme (the "**Scheme**") on 17 March 2016. Share options may be granted to eligible employees of the Group as a long-term incentive. From the date of the adoption of the Scheme and up to 31 March 2022, no share option has been granted or agreed to be granted under the Scheme.

OTHER INFORMATION

Corporate Governance Practices

The Company recognises the importance of corporate transparency and accountability. The Company is committed to achieving a high standard of corporate governance and leading the Group to attain better results and improve its corporate image with effective corporate governance procedures.

During the year ended 31 March 2022, the Company has engaged an international consulting firm (the "**Consultant**") to review and recommend appropriate actions so as to ensure that the Company is complying with the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in relation to internal controls assessment, enterprise risk management and corporate governance advising services. A review on the Company's internal controls, enterprise risk management and corporate governance practices were conducted by the Consultant for FY2022, and the Company has been improving its internal controls, enterprise risk management and corporate governance practices continuously with reference to the Consultant's recommendations. Moreover, the Company has adopted its corporate governance practices which are reproduced from the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules.

During the year ended 31 March 2022, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**"), save and except for the deviation from code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022).

Code provision A.2.1 (which has been re-arranged as code provision C.2.1 since 1 January 2022) of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and chief executive officer of the Company are both performed by Mr. Lau Pong Sing. The Board believes that vesting of the roles of both chairman and chief executive officer in the same individual provides the Company with strong and consistent leadership, efficient usage of resources and allows for effective planning, formulation and implementation of the Company's business strategies which will enable the Company to sustain the development of its business efficiently.

Compliance with the Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (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 FY2022.

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

In FY2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Review by Audit Committee

The annual results of the Group for the year ended 31 March 2022 have been reviewed by the audit committee of the Company.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2022.

Closure of Register of Members

For determining the entitlement to attend and vote at the annual general meeting ("**AGM**") of the Company to be held on 31 August 2022, the register of members of the Company will be closed from 25 August 2022 to 31 August 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on 24 August 2022.

Publication of the Results Announcement and Annual Report

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

The annual report of the Company for the year ended 31 March 2022 will be available at the respective websites of the Company and the Stock Exchange and will be despatched to shareholders of the Company in late July.

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

Hong Kong, 29 June 2022

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