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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1496)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

GROUP FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**78,859**	83,557
Gross profit	**21,019**	26,685
Profit for the period	**4,065**	7,367
Profit margin	**5.2%**	8.8%
Total comprehensive income for the period	**3,201**	5,842
Earnings per share		
Basic *(HK cents)*	**0.47**	0.85

INTERIM RESULTS

The board of directors (the "**Board**") of AP Rentals Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2023 together with its comparative figures for the corresponding period in 2022.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2023	2022
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3A*		
Goods and services		**26,855**	25,308
Leasing of equipment		**52,004**	58,249
Total Revenue		**78,859**	83,557
Cost of sales and services		**(57,840)**	(56,872)
Gross profit		**21,019**	26,685
Other income	*4*	**1,287**	2,916
Other gains and losses	*5*	**3,098**	7,135
Impairment losses recognised on property, plant and equipment, net		**–**	(1,786)
Reversal of impairment losses (impairment losses) under expected credit loss model recognised on lease receivables and trade receivables, net		**1,956**	(8,622)
Administrative expenses		**(19,911)**	(17,780)
Selling and distribution expenses		**(399)**	(332)
Share of loss of a joint venture		**(800)**	–
Finance costs	*6*	**(837)**	(682)
Profit before tax		**5,413**	7,534
Income tax expense	*7*	**(1,348)**	(167)
Profit for the period	*8*	**4,065**	7,367
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(864)**	(1,525)
Total comprehensive income for the period		**3,201**	5,842
Earnings per share			
— Basic *(HK cents)*	*9*	**0.47**	0.85

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**As at 30 September 2023 *HK$'000* (Unaudited)**	As at 31 March 2023 *HK$'000* (Audited)
Non-current Assets			
Property, plant and equipment		**173,804**	187,121
Right-of-use assets		**4,914**	6,711
Prepayments and deposits paid for acquisition of property, plant and equipment	*11*	**3,751**	424
Interests in a joint venture		**135**	–
Rental deposits paid	*11*	**650**	650
Deposit placed for a life insurance policy		**3,015**	2,983
Deferred tax assets		**138**	138
		186,407	198,027
Current Assets			
Inventories		**15,136**	13,834
Trade and other receivables, deposits and prepayments	*11*	**41,941**	41,107
Pledged bank deposit		**360**	360
Cash and cash equivalents		**78,741**	74,559
		136,178	129,860
Current Liabilities			
Trade and other payables and accrued charges	*12*	**22,026**	20,105
Contract liabilities		**779**	1,154
Receipts in advance		**8,370**	11,341
Tax liabilities		**7,077**	5,417
Borrowings — due within one year		**33,270**	33,414
Deferred income		**532**	559
Lease liabilities		**3,593**	3,688
		75,647	75,678
Net Current Assets		**60,531**	54,182
Total Assets less Current Liabilities		**246,938**	252,209

	NOTES	As at 30 September 2023 HK$'000 (Unaudited)	As at 31 March 2023 HK$'000 (Audited)
Non-current Liabilities			
Borrowings		**841**	1,848
Deferred tax liabilities		**22,629**	22,812
Lease liabilities		**1,725**	3,391
		25,195	28,051
Net Assets		**221,743**	224,158
Capital and Reserves			
Issued capital	*13*	**864**	864
Reserves		**220,879**	223,294
Total Equity		**221,743**	224,158

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2023

1. BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 September 2023 has been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2023.

Other than changes in accounting policies resulting from application of amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 April 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	Income Taxes: International Tax Reform-Pillar Two Model Rules

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

3A. REVENUE

For the six months ended 30 September 2023 (Unaudited)

The Group's revenue represents the net amounts received or receivable for equipment leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue is as follows:

	Trading *HK$'000* **(unaudited)**	**Leasing** *HK$'000* **(unaudited)**
Leasing of equipment	**–**	**52,004**
Sales of machinery and parts	**11,078**	**–**
Operating service income	**–**	**10,490**
Other service income	**–**	**5,287**
Total	**11,078**	**67,781**
Geographical Markets		
Hong Kong	**10,607**	**61,774**
Macau	**330**	**1,724**
The People's Republic of China (excluding Hong Kong, Macau and Taiwan for the purpose of this announcement) ("PRC")	**–**	**106**
Singapore	**141**	**4,177**
Total	**11,078**	**67,781**
Timing of revenue recognition		
A point in time	**11,078**	**2,350**
Over time	**–**	**13,427**
Leasing income of equipment	**–**	**52,004**
Total	**11,078**	**67,781**

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 for the purpose of resources allocation and assessment of performance.

For the six months ended 30 September 2022 (Unaudited)

The Group's revenue represents the net amounts received or receivable for equipment leased, goods sold and services provided in the normal course of business, net of discounts and returns.

An analysis of the Group's revenue is as follows:

	Trading *HK$'000* (unaudited)	Leasing *HK$'000* (unaudited)
Leasing of equipment	–	58,249
Sales of machinery and parts	11,172	–
Operating service income	–	8,713
Other service income	–	5,423
Total	11,172	72,385
Geographical Markets		
Hong Kong	10,939	66,972
Macau	233	1,934
PRC	–	366
Singapore	–	3,113
Total	11,172	72,385
Timing of revenue recognition		
A point in time	11,172	2,809
Over time	–	11,327
Leasing income of equipment	–	58,249
Total	11,172	72,385

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 for the purpose of resources allocation and assessment of performance.

3B. SEGMENT INFORMATION

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

Leasing — Leasing of equipment, and related operating and other services

Trading — Sales of machinery and parts

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

Segment revenue and results

For the six months ended 30 September 2023 (Unaudited)

	Leasing	**Trading**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Revenue			
Segment revenue from external customers	**67,781**	**11,078**	**78,859**
Results			
Segment results	**15,485**	**2,038**	**17,523**
Unallocated income			**180**
Unallocated expenses			**(12,290)**
Condensed consolidated profit before tax of the Group			**5,413**

For the six months ended 30 September 2022 (Unaudited)

	Leasing	Trading	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Segment revenue from external customers	72,385	11,172	83,557
Results			
Segment results	18,414	2,932	21,346
Unallocated income			405
Unallocated expenses			(14,217)
Condensed consolidated profit before tax of the Group			7,534

Segment results represent the profit earned by each segment without allocation of interest income and certain sundry income, exchange gain or loss and central administration expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of performance.

The chief operating decision maker makes decisions accounting to operating results of each segment. No analysis of segment assets and liabilities are presented as the information is not regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of performance.

Other segment information

For the six months ended 30 September 2023 (Unaudited)

	Leasing	**Trading**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment results:				
Share of loss of a joint venture	**–**	**–**	**800**	**800**
Reversal of impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net	**(1,625)**	**(331)**	**–**	**(1,956)**
Depreciation of property, plant and equipment	**22,249**	**536**	**385**	**23,170**
Depreciation of right-of-use assets	**1,911**	**46**	**55**	**2,012**
Gain on disposal of property, plant and equipment	**3,533**	**–**	**–**	**3,533**

For the six months ended 30 September 2022 (Unaudited)

	Leasing	Trading	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment results:				
Impairment losses recognised on property, plant and equipment	1,786	–	–	1,786
Impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net	8,335	287	–	8,622
Depreciation of property, plant and equipment	24,787	723	261	25,771
Depreciation of right-of-use assets	1,500	44	46	1,590
Gain on disposal of property, plant and equipment	5,606	–	–	5,606

Geographical information

For the six months ended 30 September (Unaudited)

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

	2023	2022
	HK$'000	*HK$'000*
External revenue:		
Hong Kong	**72,381**	77,911
Macau	**2,054**	2,167
PRC	**106**	366
Singapore	**4,318**	3,113
	78,859	83,557

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

	As at 30 September 2023	As at 31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets:		
Hong Kong	**170,269**	182,952
Macau	**2,453**	2,825
PRC	**4,706**	5,729
Singapore	**5,041**	2,750
	182,469	194,256

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

4. OTHER INCOME

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income from		
— bank deposits	**1,057**	15
— deposit placed for a life insurance policy	**49**	48
Government subsidies *(note)*	**70**	2,603
Sundry income	**111**	250
	1,287	2,916

Note: The government subsidies recorded by the Group for the six months ended 30 September 2023 represented the wage subsidies provided by the governments of Hong Kong were nil (1H2023: HK$2,106,000) and Macau were nil (1H2023: MOP500,000) (which is equivalent to HK$485,000) to support the employment and to help business tide over financial difficulties due to the Covid-19 pandemic, which are recognised as income at the time the Group fulfilled the relevant granting criteria. They also include an amortised amount of HK$69,600 (1H2023: HK$11,600) (being amortised on straight-line basis over the remaining useful life of the equipment) from the fund received from the Construction Innovation and Technology Fund for the purchase of pre-approved equipment, which was recorded by the Group for the six months ended 30 September 2022.

5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Exchange (loss) gain, net	**(435)**	1,529
Gain on disposal of property, plant and equipment	**3,533**	5,606
	3,098	7,135

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on borrowings	**722**	554
Interest on finance leases	**–**	22
Interest on lease liabilities	**115**	18
Interest on interest bearing trade payables	**–**	88
	837	682

7. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax	**1,531**	171
Deferred tax	**(183)**	(4)
	1,348	167

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

For the subsidiary registered in Singapore which is subject to Singapore income tax at 17% (2022: 17%), no provision for Singapore income tax had been made as it had no assessable profits for both periods.

8. PROFIT FOR THE PERIOD

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging:		
Directors' emoluments	**3,940**	3,354
Other staff costs:		
— Salaries, allowances and other benefits	**24,126**	21,952
— Retirement benefits scheme contributions	**821**	1,052
	24,947	23,004
Total staff costs	**28,887**	26,358
Auditor's remuneration	**986**	860
Cost of inventories recognised as expenses	**5,986**	4,234
Depreciation of property, plant and equipment	**23,170**	25,771
Depreciation of right-of-use assets	**2,012**	1,590

9. EARNINGS PER SHARE

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**4,065**	7,367
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	**864,000,000**	864,000,000

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

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

10. DIVIDEND

During the current interim period, a final dividend of HK0.65 cent per share in respect of the year ended 31 March 2023 was declared and paid to owners of the Company. The amount of the final dividend declared and paid in the interim period amounted to HK$5,616,000 (six months ended 30 September 2022: Nil).

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 September 2023	As at 31 March 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Lease receivables from:		
— outsiders	**46,756**	51,596
— a related company *(note)*	**212**	212
Less: Allowance for expected credit losses	**(15,027)**	(16,549)
	31,941	35,259
Trade receivables from contracts with customers	**4,553**	3,018
Less: Allowance for expected credit losses	**(16)**	(450)
	4,537	2,568
Other receivables	**139**	–
Value added tax recoverable	**–**	74
Rental deposits paid	**650**	650
Other deposits and prepayments	**9,075**	3,630
	46,342	42,181
Analysed as:		
Current	**41,941**	41,107
Non-current — Prepayments and deposits paid for acquisition of property, plant and equipment	**3,751**	424
Non-current — rental deposits paid	**650**	650
	46,342	42,181

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

The Group allows an average credit period of 0 to 90 days to its leasing customers and an average credit period of 0 to 90 days for trading customers. Before accepting any new customer, the Group makes enquiries to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed annually. Lease receivables and trade receivables that are neither past due nor impaired are due from creditworthy customers.

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

	As at 30 September 2023 *HK$'000* **(Unaudited)**	As at 31 March 2023 *HK$'000* (Audited)
Within 30 days	**17,986**	9,860
31 to 60 days	**4,041**	11,794
61 to 90 days	**6,253**	4,202
91 to 180 days	**6,401**	7,274
Over 180 days	**1,797**	4,697
	36,478	37,827

12. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	As at 30 September 2023 *HK$'000* **(Unaudited)**	As at 31 March 2023 *HK$'000* (Audited)
Trade payables	**9,842**	8,319
Accrued expenses	**10,602**	8,517
Other payables	**1,582**	3,269
	22,026	20,105

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

	As at 30 September 2023 *HK$'000* **(Unaudited)**	As at 31 March 2023 *HK$'000* (Audited)
Within 30 days	**3,372**	3,768
31 to 60 days	**679**	2,724
61 to 90 days	**495**	283
91 to 180 days	**3,525**	245
Over 180 days	**1,771**	1,299
	9,842	8,319

The normal credit period on trade payables is ranging from 0 to 180 days (as at 31 March 2023: 0 to 180 days).

13. ISSUED CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each		
At 31 March 2023 and 30 September 2023	10,000,000,000	10,000
Issued:		
At 31 March 2023 and 30 September 2023	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 six months ended 30 September 2023 ("**1H2024**"), the Group recorded a net profit, which amounted to approximately HK$4.1 million (for the six months ended 30 September 2022 ("**1H2023**"): net profit amounting to approximately HK$7.4 million). The significant decrease of net profit is mainly attributable to the net effect of:

1. Despite the fact that the Group recorded an increase in leasing income of equipment from other construction projects and from its event business in Hong Kong, there was a net decrease in the total leasing income of equipment from approximately HK$58.2 million in 1H2023 to approximately HK$52.0 million in 1H2024, which was due to (i) the decrease in demand for leasing of equipment from the construction works in the Kai Tak area, including but not limited to the Kai Tak Sports Park project (the "**Kai Tak Area**"); and (ii) there was leasing income of leasing equipment amounting to approximately HK$7.3 million, which was related to the construction and operation of the community isolation facilities (the "**Community Isolated Facilities**"), which were built and operated by the Hong Kong government due to the Covid-19 pandemic in 1H2023, but there was no such leasing income generated in 1H2024;

2. No government subsidies were received from the governments of Hong Kong and Macau in 1H2024 (1H2023: approximately HK$2.1 million in the case of Hong Kong and approximately MOP0.5 million in the case of Macau, which was equivalent to approximately HK$0.5 million, which were both related to the Covid-19 pandemic in 1H2023 and represented the wage subsidies provided by the governments of Hong Kong and Macau for supporting the employment and helping business tide over financial difficulties due to the Covid-19 pandemic);

3. Decrease in gain on disposal of property, plant and equipment from approximately HK$5.6 million in 1H2023 to approximately HK$3.5 million in 1H2024 since the Group has disposed the aged trucks in 1H2023, which contributed to a major part of the gain on disposal of property, plant and equipment in 1H2023;

4. Increase in staff costs from approximately HK$26.4 million in 1H2023 to approximately HK$28.9 million in 1H2024, which were mainly due to (i) increase in the wage of operators due to the increase in demand from equipment operating services; (ii) increase of directors' remuneration; and (iii) annual salary increment for the staff so as to keep abreast of the human resources market in Hong Kong and in Singapore;

5. Exchange loss, net amounting to approximately HK$0.4 million was recorded in 1H2024 (1H2023: exchange gain, net of approximately HK$1.5 million, which was due to the exchange gain recorded in 1H2023 for the purchase of leasing machines which were recorded as account payables in Euro and Japanese Yen. Euro and Japanese Yen depreciated in 1H2023);

6. No impairment losses recognised on property, plant and equipment were recorded in 1H2024 (1H2023: approximately HK$1.8 million, which was made for the machines used in the third runway project of Hong Kong International Airport (the "**3rd Runway**"); and

7. Reversal of the impairment losses under expected credit loss model recognised on lease receivables and trade receivables, net ("**ECL Provision**") amounting to approximately HK$2.0 million in 1H2024 (1H2023: impairment losses under ECL Provision, approximately HK$8.6 million due to increase in ECL Provision made under individual assessment for some accounts related to the customers working for projects on the 3rd Runway and under collective assessment for remaining customers due to the increase in expected default risk, which might be caused by the increase in interest rates and inflation rates globally) due to the fact that the amount of accounts receivables decreased and the recovery rates improved in 1H2024.

For 1H2024, the Group recorded revenue of approximately HK$78.9 million, representing a decrease of approximately 5.6% as compared to that of approximately HK$83.6 million for 1H2023. For 1H2024, the Group recorded gross profit of approximately HK$21.0 million, representing a decrease of approximately 21.2% as compared to that of approximately HK$26.7 million for 1H2023. The gross profit margin for 1H2024 was approximately 26.7% (1H2023: approximately 31.9%). Please refer to the section headed "Financial Review" of this announcement for further details of the Group's performance in 1H2024. The performance of the Group in 1H2024 reflects the importance of the equipment rentals and the provision of related value-added services.

Profit attributable to owners of the Company was approximately HK$4.1 million in 1H2024 (Profit attributable to owners of the Company in 1H2023: approximately HK$7.4 million).

Basic earnings per share attributable to owners of the Company for 1H2024 was HK0.47 cent (Basic earnings per share attributable to owners of the Company for 1H2023: HK0.85 cent).

BUSINESS OVERVIEW

During 1H2024, the equipment demands for leasing of equipment from the construction works decreased significantly. The net decrease in demands was mainly due to: (i) the decrease in leasing income for leasing equipment in the Kai Tak Area in 1H2024; and (ii) no leasing income being generated from the Community Isolated Facilities in 1H2024 as mentioned under the section headed "Group Overview". However, leasing income of the Group in other construction projects and other building works in Hong Kong increased, including but not limited to the Development of Lok Ma Chau Loop, the Trunk Road T2 and Cha Kwo Ling Tunnel and Central Kowloon Route (a highway project under construction that runs through the Kowloon Peninsula, which is largely underground) (the "**T2-CKR**"). The Group has also recorded a material increase in leasing income related to its event business in Hong Kong in 1H2024. These increases have reduced the magnitude of decrease in leasing income in Hong Kong.

In addition, the Group increased its business activities for providing better and comprehensive solutions in the provision of power to the market using the concept of the Smart System in Mobile Electricity ("**SSME**") through the Company's indirect wholly-owned subsidiary, AP Power Limited ("**AP Power**"). This aims at increasing the professionalism of the Group's services in leasing and the provision of solutions to the market, which has made its contribution in alleviating the decrease in leasing income in 1H2024.

For the trading business, the Group only recorded a minor decrease in revenues when comparing with those in 1H2023.

For Macau, the demands in leasing equipment decreased and so the leasing revenue of AP Equipment Leasing and Engineering Limited ("**AP Macau**"), an indirect wholly-owned subsidiary of the Company, decreased when compared to that of 1H2023 due to the fact that the demand from private construction sites in Macau decreased in 1H2024. However, the Group still recorded increase in demand from construction sites related to public work, which is the focus of the Group from 2023 onwards.

For Singapore, AP Equipment Rentals (Singapore) Pte. Limited ("**AP Singapore**"), a wholly-owned subsidiary of the Company, recorded increase in revenues in leasing of equipment and operating service income in 1H2024 because the construction industry in Singapore continues its growth due to the booming of its economy in 1H2024.

For the PRC, due to the debt crisis triggered by some giant property developers, 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, has recorded a decrease in the revenue from the leasing of equipment. However, AP Shanghai also focused on the disposing of its equipment locally and overseas in 1H2024.

* *For identification purposes only*

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

OUTLOOK

Even after the Covid-19 pandemic tapered off and the cross-border activities of Hong Kong resumed, the degrees of economy rebound in Hong Kong and the PRC were still not up to expectation. However, the Group will continue its investment and promotion of equipment serving the concept of the green energy in the second half of the financial year ending 31 March 2024 (the “**2H2024**”).

In Hong Kong, the Group will expedite its investment in the mobile power supplies and its related services with SSME concept in 2H2024, which will be packaged as the ultimate solution for the customers in power supplies that also addresses the increasing concerns from the community on environmental protection and social responsibilities aspects. The Group will provide more value-added services to the customers relating to “green concept” including but not limited to, providing some raw data related to the emission from the machines leased by the customers, use of biofuels and provision of more efficient, reliable and cost-effective modes in providing electricity to the customers. AP Power will implement these strategies in the coming years. The Group will increase its focus on machinery trading overseas and the disposal of aged leasing equipment in 2H2024.

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

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

The economy in Singapore is booming. The Group would try its best to maintain the increasing trend in its revenues and may consider making further investment in the leasing equipment of AP Singapore so as to cater for the increasing demands in Singapore in 2H2024.

FINANCIAL REVIEW

Revenue

For 1H2024, the Group recorded a decrease in revenue of approximately HK$4.7 million, with the total revenue amounting to approximately HK$78.9 million for 1H2024, representing a decrease of approximately 5.6% as compared to that of approximately HK$83.6 million for 1H2023. The decrease in revenue was mainly resulted from the decrease in all segments of business of the Group except for the operating service income.

(i) Leasing 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, the PRC and Singapore, decreased to approximately HK$52.0 million in 1H2024 as compared to that of approximately HK$58.3 million in 1H2023.

As mentioned above, the revenue attributable to the Group's rental business in Hong Kong decreased in 1H2024 due to the net decrease in demands from the construction work as disclosed in the section headed "Business Overview" of this announcement.

Leasing income of equipment accounted for approximately 65.9% of the Group's total revenue for 1H2024 (1H2023: approximately 69.7%).

(ii) Operating service income

The Group offers equipment operating services by providing equipment operators to operate the equipment at the job sites of its customers. For 1H2024, revenue from equipment operating services increased by approximately 20.4% to approximately HK$10.5 million (1H2023: approximately HK$8.7 million), and accounted for approximately 13.3% of the Group's total revenue for 1H2024 (1H2023: approximately 10.4%).

(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 a decrease and amounted to approximately HK$5.3 million for 1H2024 (1H2023: approximately HK$5.4 million). The Group's other service income accounted for approximately 6.7% of the Group's total revenue for 1H2024 (1H2023: approximately 6.5%). The decrease was mainly contributed by the decrease in delivery services income.

(iv) Sales of machinery and spare parts

The revenue from sales of machinery and spare parts decreased by approximately 1.0% from approximately HK$11.2 million for 1H2023 to approximately HK$11.1 million for 1H2024 mainly due to the decrease in sales of machinery despite the fact that the Group still recorded large increase in the sales of spare parts.

The Group's sales of machinery and spare parts accounted for approximately 14.0% of the Group's total revenue for 1H2024 (1H2023: approximately 13.4%).

Cost of Sales and Services

The Group's cost of sales and services amounted to approximately HK$57.8 million for 1H2024, representing a period-on-period increase of approximately 1.7% (1H2023: approximately HK$56.9 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 has increased its investment on leasing equipment through purchases of leasing equipment amounting to approximately HK$16.3 million in 1H2024. However, the Group has also disposed of some leasing equipment with lower utilisation rates during 1H2024 and some equipment have been fully depreciated in 1H2024, so the depreciation cost in 1H2024 decreased to approximately HK$22.8 million (1H2023: approximately HK$25.5 million). Staff costs under the cost of sales and services increased by approximately HK$1.3 million mainly due to the increase of wage of the operators for operating the leasing equipment since the demand for operating service increased in 1H2024. Costs for machinery and parts increased by approximately 41.4% due to the increase in cost of the machinery in 1H2024.

Gross Profit and Gross Profit Margin

The Group's overall gross profit decreased by approximately 21.2% from approximately HK$26.7 million for 1H2023 to approximately HK$21.0 million for 1H2024 and the Group's gross profit margin was approximately 26.7% for 1H2024 (1H2023: approximately 31.9%). The decrease in gross profit margin was mainly due to: (i) the decrease in gross profit margin in machinery trading in 1H2024; and (ii) the decrease in revenue of the leasing of equipment even though the relevant depreciation expense was reduced in 1H2024.

Other Income

The Group recorded other income amounting to approximately HK$1.3 million in 1H2024 (1H2023: approximately HK$2.9 million), which represented a decrease of approximately 55.9% from 1H2023. The decrease was due to the fact that no government subsidies were received from the governments of Hong Kong and Macau related to the Covid-19 pandemic in 1H2024 (1H2023: approximately HK$2.1 million, which represent the wage subsidies provided by the government of Hong Kong (in the amount of approximately HK$2.1 million) and the government of Macau (in the amount of approximately MOP0.5 million which is equivalent to approximately HK$0.5 million) for supporting the employment and helping business tide over financial difficulties due to the Covid-19 pandemic). The Group also recorded an interest income from bank deposits amounting to approximately HK$1.1 million in 1H2024 (1H2023: approximately HK$15,000) due to increase in cash balances in 1H2024 and increase in interest rates for fixed deposits in Hong Kong.

Other Gains and Losses

Other gains and losses amounted to approximately HK$3.1 million in 1H2024 (1H2023: approximately HK$7.1 million), representing a decrease of approximately 56.6% over 1H2023. The Group recorded exchange loss, net of approximately HK$0.4 million in 1H2024 (1H2023: exchange gain, net of approximately HK$1.5 million, which was caused by the depreciation of Japanese Yen and Euro against Hong Kong Dollar recorded in account payables in 1H2023). The Group also recorded a decrease in gain on disposal of property, plant and equipment from approximately HK$5.6 million in 1H2023 to approximately HK$3.5 million in 1H2024 due to the fact that all aged trucks were disposed in 1H2023, which contributed to a gain on disposal for approximately HK$2.3 million in 1H2023.

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

As at 30 September 2023, the receivables of the Group decreased and the recovery rates of receivables improved. The impairment losses under ECL Provision for the Group reversed by approximately HK$2.0 million in 1H2024 (1H2023: impairment losses under ECL Provision of approximately HK$8.6 million). For details, please refer to the section headed "Group Overview" of this announcement.

The Group has not recognised impairment losses on property, plant and equipment, net in 1H2024 (1H2023: impairment losses recognised on property, plant and equipment, net of approximately HK$1.8 million, which was made for the provision for impairment for the leasing equipment used in the sites in the 3rd Runway).

Administrative Expenses

For 1H2024, administrative expenses amounted to approximately HK$19.9 million (1H2023: approximately HK$17.8 million), representing an increase of approximately 12.0% over that of 1H2023. The increase in administrative expenses was mainly due to the increase in the staff costs of the Group (excluding those staff costs stated under the section headed "**Cost of Sales and Services**") due to annual review and promotion.

Selling and Distribution Expenses

For 1H2024, selling and distribution expenses amounted to approximately HK$0.4 million (1H2023: approximately HK$0.3 million). The increase was due to the promotion of the concept of the"green energy"towards the market.

Finance Cost

Finance costs mainly comprised interest on the Group's borrowings and lease liabilities, which amounted to approximately HK$0.8 million in 1H2024 (1H2023: approximately HK$0.7 million). The increase in finance costs was due to the increase in borrowings in 1H2024 (approximately HK$34.1 million) when comparing to the borrowings in 1H2023 (approximately HK$24.1 million).

Profit and Total Comprehensive Income for 1H2024

The Group recorded profit attributable to owners of the Company of approximately HK$4.0 million for 1H2024 (1H2023: profit attributable to owners of the Company of approximately HK$7.4 million), representing a profit margin of approximately 5.2% (1H2023: profit margin of approximately 8.8%). The decrease in profit attributable to owners of the Company in 1H2024 was due to the reasons stated under the section headed "Group Overview" of this announcement. The total comprehensive income for 1H2024 was approximately HK$3.2 million (1H2023: total comprehensive income was approximately HK$5.8 million).

Capital Expenditure

The Group's capital expenditures in 1H2024 primarily comprised expenditures on leasing machinery, vehicles and office equipment, amounting to a total of approximately HK$17.0 million (for the year ended 31 March 2023: approximately HK$44.7 million). The vast majority of the capital expenditures were used to fund the expansion of the Group's owned rental fleet, which accounted for approximately 95.9% of the total capital expenditure of the Group for 1H2024.

Liquidity and Financial Resources Review

The Group financed its operations through a combination of cash flow from operations and borrowings. As at 30 September 2023, the Group had cash balances and cash equivalents of approximately HK$78.7 million (as at 31 March 2023: approximately HK$74.6 million) that were mainly denominated in Hong Kong Dollars, Japanese Yen, Euro, Macau Pataca ("**MOP**"), Singapore Dollars, United States Dollars and Chinese Yuan, and had borrowings and lease liabilities of approximately HK$39.4 million (as at 31 March 2023: approximately HK$42.3 million) that were denominated in Hong Kong Dollars.

As at 30 September 2023, the Group had banking facilities of approximately HK$92.8 million (as at 31 March 2023: approximately HK$87.8 million), of which approximately HK$34.1 million (as at 31 March 2023: approximately HK$35.3 million) had been drawn down, and approximately HK$58.7 million (as at 31 March 2023: approximately HK$52.5 million) were unutilised.

As at 30 September 2023, the gearing ratio of the Group was nil (as at 31 March 2023: nil), which was calculated based on the net debt divided by total equity. Net debt is defined as the sum of the interest bearing liabilities, which include borrowings, bank overdraft, lease liabilities, 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 30 September 2023, 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 1H2024.

Significant Investments

As at 30 September 2023, the Group did not have any significant investments.

Capital Commitments and Future Plans for Material Investments or Capital Assets

As at 30 September 2023, the Group had capital commitments of approximately HK$4.2 million (as at 31 March 2023: approximately HK$13.1 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.

On 8 February 2023, AP Equipment Solutions Limited (the "**APESL**"), an indirect wholly-owned subsidiary of the Company, entered into a joint venture agreement with Wing Hing Construction Company Limited (the "**JV Agreement**") to form a joint venture company with limited liability, Wing Hing-APE Solutions JV Limited (the "**WAJV**"), which was incorporated on 25 April 2023. Upon the formation of WAJV, APESL will contribute HK$2.5 million for subscribing 50% of the shares of WAJV while Wing Hing Construction Company Limited will contribute HK$2.5 million for subscribing 50% of the shares of WAJV.

In 1H2024, WAJV has reported a loss of approximately of HK$1.6 million and the interests in a joint venture represented the net effect of the contribution of the Group less the shared loss of the Group of approximately HK$0.8 million in WAJV in 1H2024.

The subscription of shares of WAJV by APESL would be funded by the Group's internal resources and banking facilities.

Pledge of Assets

As at 30 September 2023, deposit placed for a life insurance policy of approximately HK$3.0 million (as at 31 March 2023: approximately HK$3.0 million), leasing equipment of approximately HK$3.9 million as at 30 September 2023 (as at 31 March 2023: approximately HK$4.4 million), and bank deposits of approximately HK$0.4 million (as at 31 March 2023: approximately HK$0.4 million) have been pledged to secure the Group's borrowings of approximately HK$34.1 million (as at 31 March 2023: approximately HK$31.1 million).

Segment Information

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

Human Resources and Employees' Remuneration

As at 30 September 2023, the Group had 130 employees (as at 31 March 2023: 127 employees), of which 117 employees were in Hong Kong (as at 31 March 2023: 117 employees), 4 employees were in Macau (as at 31 March 2023: 4 employees), 5 employees were in Singapore (as at 31 March 2023: 3 employees) and 4 employees were in PRC (as at 31 March 2023: 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 1H2024 amounted to approximately HK$28.9 million (1H2023: approximately HK$26.4 million). The increase in staff cost was mainly due to the annual salary review of staff.

The Group's technical staff attend seminars jointly conducted by manufacturers and the Group to acquire product knowledge to ensure they are equipped with the necessary skills and knowledge to perform their duties. Such seminars include training regarding the equipment structures, operational features, operator safety training and equipment repair. In addition to the training jointly conducted by manufacturers and the Group, the Group's technical staff also attend external training courses and obtain relevant certificates.

Share Option Scheme

To attract and retain the most suitable personnel for development of the Group, the Group has adopted the share option scheme (the "**Scheme**") on 17 March 2016. Share options may be granted to eligible employees of the Group as a long-term incentive. From the date of the adoption of the Scheme and up to 30 September 2023, no share option has been granted or agreed to be granted under the Scheme.

OTHER INFORMATION

Corporate Governance Practices

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

In 1H2024, the Company has complied with the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, save and except for the deviation from code provision C.2.1.

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

Corporate governance practices of the Company in 1H2024 are in line with those practices set out in the Corporate Governance Report in the Company's annual report for the year ended 31 March 2023.

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 1H2024.

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

In 1H2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

Review by audit committee

The unaudited interim results of the Group for 1H2024 and the corresponding accounting principles and practices adopted by the Group have been reviewed by the audit committee of the Company.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the year ending 31 March 2024.

Publication of Interim Report

The interim report of the Company for 1H2024 containing all the information required by the Listing Rules will be dispatched to its shareholders and published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.apholdingshk.com) in due course.

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

Hong Kong, 28 November 2023

As at the date of this announcement, the Board comprises two Executive Directors, namely Mr. Lau Pong Sing and Ms. Chan Kit Mui, Lina, one Non-executive Director, namely Mr. Nakazawa Tomokatsu and three Independent Non-executive Directors, namely Mr. Ho Chung Tai, Raymond, Mr. Siu Chak Yu and Mr. Li Ping Chi.