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Altus Holdings Limited

incorporated in the Cayman Islands with limited liability
Stock Code : 8149

Interim Report 2016

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This report, for which the directors of Altus Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company (the “Directors”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

FINANCIAL HIGHLIGHTS

- The Company and its subsidiaries (the “Group”) recorded an unaudited revenue of HK\$23.2 million for the six months ended 30 September 2016 (“1H FY2017”), representing a slight decrease of 5.5% when compared with HK\$24.6 million for the six months ended 30 September 2015 (“1H FY2016”).
- The Group recorded a net loss of HK\$6.4 million in 1H FY2017 compared with net profit of HK\$5.9 million in 1H FY2016. The net loss in 1H FY2017 was attributable to expenses relating to the Company’s successful listing on the GEM of the Stock Exchange in October 2016 (the “Listing”) of HK\$10.9 million (1H FY2016: HK\$1.6 million).

Based on the Group’s unaudited financial information for 1H FY2016 and 1H FY2017, it is noted that the net loss for 1H FY2017 was principally due to the combined effect of (i) the increase in administrative and operating expenses (mainly due to the listing expenses and the share-based payments); and (ii) the loss from share of results of associates (where a profit was recorded in 1H FY2016), offset by higher other income and the increase in fair value of the Group’s investment properties during 1H FY2017.

- The basic and diluted loss per share in 1H FY2017 was HK1.12 cents and the basic and diluted earnings per share in 1H FY2016 was HK0.96 cents.
- The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2016.

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited condensed consolidated interim results of the Group for the three months ended 30 September 2016 (“2Q FY2017”) and 1H FY2017, together with the comparative unaudited figures for the three months ended 30 September 2015 (“2Q FY2016”) and 1H FY2016, as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 1H FY2017 AND 1H FY2016

	Notes	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Revenue	3	10,235	13,937	23,202	24,559
Other income	5	1,135	1,178	4,378	2,586
Net increase in fair value of investment properties		1,081	–	1,081	–
Changes in fair value of derivative financial liabilities		38	(78)	70	(89)
Property expenses		(2,047)	(1,755)	(3,970)	(3,594)
Administrative and operating expenses		(13,977)	(6,701)	(25,822)	(14,961)
Share of results of associates		(612)	551	(1,588)	1,046
Finance costs	6	(951)	(980)	(1,839)	(1,643)
(Loss)/Profit before tax		(5,098)	6,152	(4,488)	7,904
Income tax expense	7	(1,106)	(1,362)	(1,944)	(1,970)
(Loss)/Profit for the period	8	(6,204)	4,790	(6,432)	5,934
Other comprehensive (expense) income for the period					
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments		–	(171)	–	(692)
Change in fair value of available-for-sale investments		146	(736)	215	186
Exchange differences arising on translation of foreign operations		3,590	1,801	24,849	1,080
Share of translation reserve of associates		368	2,711	3,081	(25)
Other comprehensive income for the period		4,104	3,605	28,145	549
Total comprehensive (expense) income for the period		(2,100)	8,395	21,713	6,483

**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR 1H FY2017 AND 1H FY2016
(CONTINUED)**

	<i>Notes</i>	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
(Loss)/Profit for the period attributable to:					
Owners of the Company		(6,286)	4,700	(6,748)	5,735
Non-controlling interests		82	90	316	199
		(6,204)	4,790	(6,432)	5,934
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(2,283)	8,169	20,690	6,292
Non-controlling interests		183	226	1,023	191
		(2,100)	8,395	21,713	6,483
		HK cents	HK cents	HK cents	HK cents
(Loss)/Earnings per share					
– Basic and diluted	<i>10</i>	(1.05)	0.78	(1.12)	0.96

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 September 2016 and 31 March 2016

	Notes	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	45,260	45,531
Investment properties		385,905	351,721
Interests in associates		26,971	29,090
Available-for-sales investments	12	2,912	1,335
		461,048	427,677
Current assets			
Trade and other receivables	13	3,133	12,208
Amount due from a director		–	2,098
Amounts due from associates		1,381	1,229
Deposits placed in financial institution		181	151
Bank balances and cash		67,163	53,662
		71,858	69,348
Current liabilities			
Trade and other payables	14	13,753	8,530
Amount due to ultimate holding company	15	35,000	31,484
Amount due to a director		–	121
Amounts due to associates		6	37
Tax payable		3,848	4,323
Secured bank borrowings		67,202	66,694
		119,809	111,189
Net current liabilities		(47,951)	(41,841)
Total assets less current liabilities		413,097	385,836

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2016 and 31 March 2016

	<i>Notes</i>	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Non-current liabilities			
Secured bank borrowings	16	75,094	62,270
Derivative financial instruments	17	827	887
Other payables – tenant deposits – over 1 year		67	73
Provision for long service payment		168	168
Deferred tax liabilities		13,798	11,871
		89,954	75,269
		323,143	310,567
Capital and reserves			
Share capital	18	–	50,195
Reserves		311,656	249,317
Equity attributable to owners of the Company		311,656	299,512
Non-controlling interests		11,487	11,055
Total equity		323,143	310,567

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 1H FY2017

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Special reserve HK\$'000	Investment revaluation reserve HK\$'000	Shareholder contribution HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2016 (audited)	50,195	98,065	6	(41,511)	-	357	(26,584)	218,984	299,512	11,055	310,567
(Loss) Profit for the period	-	-	-	-	-	-	-	(6,748)	(6,748)	316	(6,432)
Other comprehensive income for the period:											
Change in fair value of available-for-sale investments	-	-	-	-	215	-	-	-	215	-	215
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	24,142	-	24,142	707	24,849
Share of translation reserves of associates	-	-	-	-	-	-	3,081	-	3,081	-	3,081
	-	-	-	-	215	-	27,223	-	27,438	707	28,145
Total comprehensive (expense) income for the period	-	-	-	-	215	-	27,223	(6,748)	20,690	1,023	21,713
Issue of shares to ultimate holding company (note 8)	98,983	-	-	(71,979)	-	-	-	-	27,004	-	27,004
Contribution from shareholder	-	-	-	-	-	2,470	-	-	2,470	-	2,470
Acquisition of addition interest in a subsidiary	-	-	(12)	-	-	-	-	-	(12)	(248)	(260)
Arising from reorganisation (note*)	(149,178)	-	149,178	-	-	-	-	-	-	-	-
Dividends paid (note 9)	-	-	-	-	-	-	-	(38,008)	(38,008)	(343)	(38,351)
At 30 September 2016 (unaudited)	-	98,065	149,172	(113,490)	215	2,827	639	174,228	311,656	11,487	323,143

Note: *Other reserve included the difference between the nominal value of the issued share capital of the Company and its subsidiaries and the share capital of the Company, upon completion the group reorganisation on 26 September 2016.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR IH FY2016

	Attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	43,544	79,991	6	999	(42,730)	205,184	14,943	301,937
Profit for the period	-	-	-	-	-	5,735	199	5,934
Other comprehensive (expenses) income for the period:								
Reclassification adjustments for cumulative gain included in profit or loss upon disposal of available-for-sale investments	-	-	-	(692)	-	-	-	(692)
Change in fair value of available-for-sale investments	-	-	-	186	-	-	-	186
Exchange differences arising on translation of foreign operations	-	-	-	-	1,088	-	(8)	1,080
Share of translation reserves of associates	-	-	-	-	(25)	-	-	(25)
	-	-	-	(506)	1,063	-	(8)	549
Total comprehensive (expense) income for the period	-	-	-	(506)	1,063	5,735	191	6,483
Issue of shares by a subsidiary (note 18)	4	18,443	-	-	-	-	2,556	21,003
Deregistration of subsidiaries (note 18)	(34,864)	-	-	-	-	-	(5,340)	(40,204)
Dividends paid	-	(369)	-	-	-	(3,531)	(1,837)	(5,737)
At 30 September 2015 (unaudited)	8,684	98,065	6	493	(41,667)	207,388	10,513	283,482

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR 1H FY2017 AND 1H FY2016

	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Cash generated from operations		
Decrease/(Increase) in trade and other receivables	1,512	(522)
Increase in trade and other payables	5,138	164
Other operating cash flows	622	9,566
	7,272	9,208
Income tax paid	(2,010)	(342)
Net cash generated from operating activities	5,262	8,866
Net cash generated from investing activities		
Acquisition of available-for-sale investments	(1,771)	(39)
Proceed from disposal of available-for-sale investments	–	3,461
Repayment from (Advance to) a director	1,977	(3)
Proceed from disposal of an associate	–	1,275
Dividend received from associates	3,611	352
Dividend received from available-for-sale investments	7,842	317
Capital expenditure/Purchases of investment properties	(231)	(17,063)
Purchases of property, plant and equipment	(375)	(83)
Other investing cash flows	(428)	376
	10,625	(11,407)
Net cash used in financing activities		
Interest paid	(1,919)	(1,792)
New bank borrowing raised	9,192	40,036
Repayment of bank borrowings	(3,329)	(20,249)
Dividends paid	(3,239)	(683)
Repayments to ultimate holding company	(4,480)	(761)
	(3,775)	16,551
Net increase in cash and cash equivalents	12,112	14,010
Cash and cash equivalents at beginning of period	53,813	31,282
Effect of foreign exchange rate changes	1,419	672
Cash and cash equivalents at end of period	67,344	45,964
Analysis of components of cash and cash equivalents:		
Deposits placed in financial institution	181	2,237
Bank balances and cash	67,163	43,727
	67,344	45,964

1. GENERAL

Altus Holdings Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands, as an exempted company with limited liability on 11 November 2015. The shares of the Company were listed on the GEM of the Stock Exchange on 17 October 2016. The address of its registered office is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its principal place of business is located at 21 Wing Wo Street, Central, Hong Kong.

The Company is engaged in investment holding and the Company’s subsidiaries are mainly engaged in the provision of corporate finance services and property investments. Its subsidiaries invest in Japan properties by entering into Japanese tokumei kumiai arrangements (“TK Agreements”) as a tokumei kumiai investor (“TK Investor”) with Japanese limited liability companies known as tokumei kumiai operators (“TK Operators”), which are the property holding companies.

The Company’s holding company is Kinley-Hecico Holdings Limited (formerly known as “Kinley BVI Limited”) (“KHHL”), a company incorporated in the British Virgin Islands with limited liability and KHHL is ultimately controlled by two parties, Ms. Chan Kit Lai, Cecilia (“Ms. Chan”) and The General Trust Company S.A. (the “Trustee”) which the beneficiaries of the trust are Mr. Ip Arnold Tin Chee (“Mr. Ip”) and Ms. Lam Ip Tin Wai Chyvette (“Ms. Ip”) and their respective issue(s) that may be born in the future. Ms. Chan is the mother of Mr. Ip and Ms. Ip.

The condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for 1H FY2017 (the “interim financial statements”) are unaudited, but have been reviewed by the Audit Committee of the Company. The interim financial statements were approved and authorised for issue by the Directors on 14 November 2016.

The interim financial statements is presented in Hong Kong dollars (“HK\$”) which is same as the functional currency of the Company. Other than those subsidiaries incorporating in Japan, whose functional currency is Japanese Yen (“JPY”), the functional currency of the Company and other subsidiaries is HK\$.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules. These interim financial statements do not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial information for the year ended 31 March 2016 (the “2016 Financial Information”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA and stated in Appendix I of the prospectus of the Company dated 30 September 2016 (the “Prospectus”). These interim financial statements have been prepared in accordance with the same accounting policies adopted by the Group in the 2016 Financial Information except for the adoption of new or revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2016.

The Group has not adopted ahead of the effective date for the new and revised HKFRSs that have been issued by the HKICPA.

The interim financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values.

(i) Completion of Reorganisation

Pursuant to the reorganisation in preparation for the Listing (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 26 September 2016. Details of the Reorganisation are set out in the section headed “History, Reorganisation and corporate structure” of the Prospectus.

The companies and its subsidiaries now comprising the Group have been under the common control of the ultimate holding company, KHHL, before and after the Reorganisation. Accordingly, the Reorganisation has been accounted for using merger basis accounting with reference to Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA in these interim financial statements.

Upon completion of the Reorganisation on 26 September 2016, the results of the subsidiaries are consolidated into the financial statements of the Company.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (CONTINUED)

(ii) Adoption of new or revised HKFRSs

Adoption of new or revised HKFRSs effective on 1 April 2016

In the current interim period, the Group has applied, for the first time, the following new amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The application of the above new or revised standards, amendments and interpretations in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE

The Group is principally engaged in the provision of corporate finance services and property investments. Revenue from the Group's principal activities recognised during the periods are as follows:

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Corporate finance services	3,894	8,351	10,514	14,080
Property investment <i>(note)</i>	6,341	5,586	12,688	10,479
	10,235	13,937	23,202	24,559

3. REVENUE (CONTINUED)

Note: An analysis of the Group's net rental income is as follows:

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Gross rental income from investment properties	6,341	5,586	12,688	10,479
Less:				
Direct operating expenses incurred for investment properties that generated rental income during the year (included in property expenses)	(2,047)	(1,755)	(3,970)	(3,594)
Net rental income	4,294	3,831	8,718	6,885

4. SEGMENT INFORMATION

Information reported to the chief operating decision maker (the "CODM"), being the Directors, for the purpose of resource allocation and assessment of segment performance focuses on type of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

- (i) Corporate finance services – provision of corporate finance services including sponsorship, financial advisory and compliance advisory services
- (ii) Property investment – leasing of investment properties for residential and commercial use

4. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	2Q FY2017			2Q FY2016			
	Corporate finance services (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Corporate finance services (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	
	REVENUE						
	External revenue and segment revenue	3,894	6,341	10,235	8,351	5,586	13,937
RESULT							
Segment profit	1,283	4,560	5,843	4,903	3,147	8,050	
Other income and expenses			(9,895)			(1,978)	
Share of results of associates			(612)			551	
Finance costs			(434)			(471)	
(Loss)/Profit before tax			(5,098)			6,152	
	1H FY2017			1H FY2016			
	Corporate finance services (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Corporate finance services (Unaudited) HK\$'000	Property investment (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	
REVENUE							
External revenue and segment revenue	10,514	12,688	23,202	14,080	10,479	24,559	
RESULT							
Segment profit <i>(note)</i>	3,463	8,307	11,770	8,274	5,665	13,939	
Other income and expenses			(13,836)			(6,329)	
Share of results of associates			(1,588)			1,046	
Finance costs			(834)			(752)	
(Loss)/Profit before tax			(4,488)			7,904	

Note: Included in the segment profit of the property investment segment, HK\$1,081,000 of net increase in fair value on investment properties has been included during 1H FY2017 (1H FY2016: nil).

4. SEGMENT INFORMATION (CONTINUED)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, certain other income, share of results of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

Segment assets	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Corporate finance services	1,497	2,974
Property investment	387,272	352,862
Total segment assets	388,769	355,836
Unallocated	144,137	141,189
Total assets	532,906	497,025
Segment liabilities	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Corporate finance services	269	2,152
Property investment	94,873	74,003
Total segment liabilities	95,142	76,155
Unallocated	114,621	110,303
Total liabilities	209,763	186,458

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, available-for-sale investments, certain trade and other receivables, interests in associates, amounts due from associates/a director, deposits placed in financial institution, bank balances and cash and other corporate assets; and
- all liabilities are allocated to operating segments other than amounts due to ultimate holding company/a director/associates, tax payable, certain secured bank borrowings, derivative financial liabilities, deferred tax liabilities and other corporate liabilities.

4. SEGMENT INFORMATION (CONTINUED)

Revenue from major services

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

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Sponsorship services	1,130	5,795	5,514	9,223
Financial advisory services	1,691	1,740	2,744	3,262
Compliance advisory services	957	816	1,878	1,514
Others corporate finance services	116	–	378	81
	3,894	8,351	10,514	14,080
Rental income	6,341	5,586	12,688	10,479
	10,235	13,937	23,202	24,559

5. OTHER INCOME

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Bank interest income	1	2	2	3
Net exchange gain	29	–	2,417	–
Dividend income from available- for-sale investments	270	200	270	200
Gain on disposal of available-for- sale investments	–	171	–	692
Reversal of impairment allowances of trade receivables	–	14	8	31
Administrative fee income	831	729	1,603	1,532
Marketing service income	–	56	66	115
Sundry income	4	6	12	13
	1,135	1,178	4,378	2,586

6. FINANCE COSTS

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Interest on amount due to ultimate holding company	7	24	22	47
Interests on secured bank borrowings	944	956	1,817	1,596
	951	980	1,839	1,643

7. INCOME TAX EXPENSE

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Current tax:				
Hong Kong Profits Tax				
– Current year	275	796	375	930
Japanese Corporate Income Tax	11	7	38	23
Japanese Withholding Tax	335	376	799	631
	621	1,179	1,212	1,584
Deferred taxation	485	183	732	386
	1,106	1,362	1,944	1,970

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for 1H FY2016 and 1H FY2017.

Under the Japan Corporate Income Tax Law, Japanese Corporate Income Tax is calculated at 35.64% and 33.06% of the estimated assessable profits for 1H FY2016 and 1H FY2017 respectively. However, regarding to the TK Arrangement, the applicable tax rate of those Japanese subsidiaries is 20.42% for 1H FY2016 and 1H FY2017.

Japanese Withholding Tax was calculated at 20.42% of the distributed income from Japanese subsidiaries for 1H FY2016 and 1H FY2017.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

8. (LOSS)/PROFIT FOR THE PERIOD

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
(Loss)/Profit for the period has been arrived at after charging:				
Staff cost excluding directors' emoluments:				
– Salaries, bonus and other benefits	1,712	1,548	5,259	3,438
– Contributions to retirement benefits schemes	79	51	159	99
Total staff costs, excluding directors' emoluments	1,791	1,599	5,418	3,537
Auditors' remuneration	71	56	128	113
Depreciation of property, plant and equipment	328	418	646	836
Loss on disposal of an associate	–	–	–	1,066
Share based payments	1,263	–	2,470	–
Listing expenses	8,009	1,466	10,879	1,590

9. DIVIDENDS

	1H FY2017 HK\$'000	1H FY2016 HK\$'000
Dividends recognised as distribution to ultimate holding company/non-controlling interests during the period by:		
<u>The Company</u>		
2016 interim, declared – HK\$35,000,000 per share	35,000	–
<u>Altus Investments Limited (“Altus Investments”)</u>		
2016 first interim, paid – HK\$0.11 per share	530	–
2016 second interim, paid – HK\$0.44 per share	2,220	–
<u>Residence Motoki Investment Limited (“Residence”)</u>		
2016 first interim, paid – JPY 1,543 per share (equivalent to HK\$111 per share)	333	–
2016 second interim, paid – JPY 2,283 per share (equivalent to HK\$172 per share)	110	–
2015 second interim, declared – JPY 2,450 per share (equivalent to HK\$158 per share)	–	475
<u>Smart Tact Property Investment Limited (“Smart Tact”)</u>		
2016 interim, paid – JPY 868 per share (equivalent to HK\$61 per share)	68	–
<u>I Corporation</u>		
2016 interim, paid – JPY 40,418 per share (equivalent to HK\$2,946 per share)	41	–
2015 interim, paid – JPY 198,417 per share (equivalent to HK\$13,000 per share)	–	182
<u>EXE Rise Shimodori Investor Limited (“EXE”)</u>		
2016 interim, paid – JPY 66,691 per share (equivalent to HK\$4,928 per share)	49	–
<u>Altus Asset Management Limited</u>		
2015 final, paid – HK\$3,786 per share	–	1,060
<u>Smart Tact Investment Limited (“Smart Tact HK”)</u>		
2015 final, paid – HK\$872 per share	–	4,020
	38,351	5,737

10. (LOSS) EARNINGS PER SHARE

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

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
(Loss)/earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	(6,286)	4,700	(6,748)	5,735

	30 September 2016 '000	30 September 2015 '000	30 September 2016 '000	30 September 2015 '000
Number of ordinary shares for the purpose of basic (loss) earnings per share	600,000	600,000	600,000	600,000

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the Reorganisation and the Capitalisation (defined and disclosed in note 18 below) had been effective on 1 April 2015.

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

11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During 1H FY2017, the Group spent HK\$375,000 (1H FY2016: HK\$83,000) on additions to property, plant and equipment and HK\$231,000 (1H FY2016: HK\$17,063,000) on additions to or purchase of investment properties.

The Group has pledged land and building with a carrying value of HK\$45,244,000 and HK\$44,752,000 to secure bank borrowings of the Group as at 31 March 2016 and 30 September 2016 respectively.

The Group has pledged investment properties with a carrying value of HK\$333,049,000 and HK\$385,905,000 to secure bank borrowings of the Group as at 31 March 2016 and 30 September 2016 respectively.

12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Listed investments (stated as fair value):		
Equity securities listed in Hong Kong	984	–
Equity securities listed in Singapore	423	650
	1,407	650
Unlisted investments (stated at cost):		
Debentures	1,505	685
Total	2,912	1,335

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Trade receivables (<i>note</i>)	1,459	2,760
Less: allowances for impairment of trade receivables	(13)	(21)
	1,446	2,739
Other receivables	1,687	9,469
	3,133	12,208

Note: As at 31 March 2016, included in trade receivables of HK\$247,000 (30 September 2016: nil) is due from Japan Residential Assets Manager Limited (“JRAM SG”), an associate of the Group.

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

- a) The trade receivables are due upon the issuance of the invoices. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables net of allowance for impairment presented based on the invoice date which approximates the respective revenue recognition dates at the end of each reporting period. It also represented the ageing analysis of trade receivables which are past due but not impaired, at the end of each reporting periods.

	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
– Within 30 days	1,258	2,736
– More than 30 but within 60 days	188	3
	1,446	2,739

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$1,446,000 and HK\$2,739,000 which are past due as at 30 September 2016 and 31 March 2016 respectively for which the Group has not provided for impairment loss.

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

- b) The following is an analysis of other receivables at the end of the reporting period:

	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Deposits	130	128
Prepayments	432	532
Dividend receivables	266	7,838
Other receivables	859	971
	1,687	9,469

14. TRADE AND OTHER PAYABLES

	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Trade payables	83	93
Other payables	13,670	8,437
	13,753	8,530

The trade payables are due upon the receipt of the invoices. All trade payables are aged within 30 days which based on the invoice date at the end of each reporting period. The Group has financial risk management policies in place to ensure evaluating that all payables are settled within the credit timeframe.

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

Included in the amount due to ultimate holding company of HK\$4,480,000 as at 31 March 2016 is unsecured, carried at interest rate calculated based on Hang Seng Interbank Offered Rate plus 1.75% per annum. The amount was repaid on 31 July 2016.

The amount due to ultimate holding company of HK\$35,000,000 as at 30 September 2016 is the dividend payable and was settled on 13 October 2016.

16. SECURED BANK BORROWINGS

During the period, the Group obtained new bank borrowings of HK\$9,192,000 (1H FY2016: HK\$40,036,000) and will be repayable ranged from year 2016 to year 2036. This loan has a fixed interest rate of 2.26% per annum for the first three years (with floating rate thereafter). The proceeds were used for general working capital purpose.

During the period, the Group repaid bank borrowings of HK\$3,329,000 (1H FY2016: HK\$20,249,000).

Bank borrowings of the Group carry interest at fixed interest rates (which are also equal to contracted interest rates) ranging from 1.37% to 3.35% per annum (31 March 2016: 1.37% to 3.35%) and at variable interest rates ranging from 2.00% to 3.25% (31 March 2016: 1.99% to 3.27%).

The maturity periods of the bank borrowings ranging from one month to nineteen years (31 March 2016: one month to twenty years).

As at 30 September 2016 and 31 March 2016, the bank borrowings are secured by the land and building and certain investment properties of the Group.

A director of the Company and an associate of the Group have provided guarantees to certain banks in respect of the bank borrowings granted to the Group as at 30 September 2016 and 31 March 2016. One of the personal guarantees from such director has been released on 24 October 2016, while the remaining personal guarantees have been approved for release internally by the bank.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 September 2016 Liabilities (Unaudited) HK\$'000	At 31 March 2016 Liabilities (Audited) HK\$'000
Interest rate swaps	827	887

Interest rate swaps forms a part of arrangement of the variable-rate bank borrowings entered into between the Group and borrowing banks in Japan.

18. SHARE CAPITAL

The Company was incorporated on 11 November 2015 and had an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, one share was allotted and issued at nil-paid to the initial subscriber and then the initial subscriber transferred the share to KHHL at nil consideration on the same date.

On 26 September 2016, the authorised share capital of the Company has been increased to HK\$50,000,000 divided into 5,000,000,000 ordinary shares.

On 17 October 2016, the Company issued 200,000,000 shares to the professional, institutional and other investors in Hong Kong for cash at HK\$0.425 per share (the "Placing") and 599,999,999 shares to KHHL upon capitalisation of part of the sum standing to the credit of the share premium account of the Company (the "Capitalisation"). After the Placing and Capitalisation, the total number of issued share of the Company is 800,000,000 shares with nominal value of HK\$0.01 each per share.

The Group

During the year ended 31 March 2016, (i) Smart Tact HK, has been deregistered and the share capital of HK\$39,695,000 has been returned to the shareholders of the Group and non-controlling interest of HK\$34,864,000 and HK\$4,831,000 respectively. (ii) Smart Tact issued and allotted 4,610 ordinary shares of HK\$1 each to its shareholders (KHHL and non-controlling interests) for the total consideration of HK\$21,003,000 and the share capital of Smart Tact held by the Group was increased from HK\$4,000 to HK\$8,000. (iii) Altus Investments issued 3 ordinary shares at a consideration of HK\$23,162,000, HK\$15,250,000, and HK\$3,283,000 respectively to acquire the equity interest in Smart Tact, Residence and Galaxy Base Limited from KHHL respectively. Together with the incorporation of the Company on 11 November 2015, the share capital presented in the combined statements of financial position as at 31 March 2016 represented the combined share capital of the Company, Altus Investments and GK Choun.

On 8 April 2016, Altus Investments issued 1 ordinary share at a consideration of HK\$71,979,000 to acquire the equity interest in GK Choun.

On 23 September 2016, Altus Investments has capitalised the amount due to KHHL with HK\$27,004,000 as share capital and allot 999,996 ordinary shares to KHHL.

Upon the completion of Reorganisation on 26 September 2016, the Company becomes the holding company of the Group. As at 30 September 2016, the share capital is only included the issued share capital of the Company.

19. OPERATING LEASE COMMITMENTS

The Group as lessor

During 1H FY2017 and the year ended 31 March 2016, the properties held for rental purpose by the Group are expected to generate rental yields of 3.6% and 3.3% respectively, on an ongoing basis. All of the properties held have committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments:

	At 30 September 2016 (Unaudited) HK\$'000	At 31 March 2016 (Audited) HK\$'000
Within one year	3,620	3,448
In the second to fifth year inclusive	–	292
	3,620	3,740

20. CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities (31 March 2016: nil).

21. RELATED PARTY TRANSACTIONS

(a) Transactions

During the period, the Group entered into the following transactions with related parties:

Name of the related party	Relationship	Nature of transactions	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
KK Tenyu Asset Management	Associate	Marketing service income received (included in other income)	66	115
		Asset management fee paid	(52)	(80)
		Guarantee fee paid	(72)	(65)
		Listing expenses	(81)	(62)
Japan Special Situation Investment Limited	Associate	Accountancy fee income received (included in other income)	6	12
Japan Residential Assets Manager Ltd	Associate	Administrative fee income received	1,603	1,532
Mr. Chang Sean Pey ("Mr. Chang")	Director	Sale of associate	–	(1,066)
KHHL	Ultimate holding company	Interest paid	(22)	(47)

The above transactions were carried out at terms determined and agreed between the Group and the relevant parties.

(b) Compensation of key management personnel

The remuneration of the directors of the Company, being the key management during 2Q FY2017, 2Q FY2016, 1H FY2017 and 1H FY2016 was as follows:

	2Q FY2017 (Unaudited) HK\$'000	2Q FY2016 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000	1H FY2016 (Unaudited) HK\$'000
Short-term benefits	1,262	202	3,936	3,125
Share based payments	1,263	–	2,470	–
Post-employment benefits	14	7	26	15
	2,539	209	6,432	3,140

22. MAJOR NON-CASH TRANSACTIONS

The Group has major non-cash transactions as follows:

- a) During 1H FY2017, Altus Investments issued 1 ordinary share at a consideration of HK\$71,979,000 to acquire the interests in TK agreements of GK Choun from KHHL.
- b) During 1H FY2017, Altus Investments has capitalised the amount due to KHHL with HK\$27,004,000 as share capital and allot 999,996 ordinary shares to KHHL.
- c) During 1H FY2017, Whalehunter Investment Limited issued 1 ordinary share to the Company at par value of HK\$8 to acquire the interests in Altus Investments from KHHL and the Company credited the one nil paid share in the Company registered in the name of KHHL as fully paid.
- d) During 1H FY2016, upon the deregistration of Smart Tact HK, share capital of HK\$39,695,000 divided into HK\$34,864,000 and HK\$4,831,000 had been returned to KHHL and non-controlling interests respectively; and HK\$4,020,000 of retained profits with HK\$3,531,000 and HK\$489,000 had been distributed to KHHL and non-controlling interests respectively. The total amounts of return of capital and retained profit distributions belong to KHHL and non-controlling interests was HK\$38,395,000 and HK\$5,320,000, respectively, have been settled through the amount due to the ultimate holding company and amounts due from non-controlling interests respectively.
- e) During 1H FY2016, Smart Tact, a subsidiary of the Group, has issued and allotted 4,610 ordinary shares of HK\$1 each to its shareholders (including KHHL and non-controlling interests) for the total consideration of HK\$21,003,000. Amount of HK\$2,556,000 and HK\$18,447,000 have been settled through the amounts due from non-controlling interests and amount due to ultimate holding company respectively.
- f) On 4 March 2016, call option deeds have been entered into between KHHL and the Directors, Mr. Chang and Ms. Leung Churk Yin Jeanny (“Ms. Leung”). The deeds entitled Mr. Chang and Ms. Leung to purchase from KHHL up to 24,900,000 shares and up to 12,900,000 shares of the Company held by KHHL (“Option Share”) respectively, at the exercise price of HK\$0.00004 per Option Share. The call options are exercisable during the period from 30 September 2017 to 30 September 2019 in accordance with the call option deeds. During 1H FY2017, amount of HK\$2,470,000 had been recognised in the profit or loss, and the corresponding shareholder’s contribution had been recognised in equity (1H FY2016: nil).

23. EVENTS AFTER THE REPORTING PERIOD

- i) **Increase authorised share capital and issuance of shares**
As stated in note 18 above, there was an issuance of shares by way of Capitalisation and Placing.
- ii) **Completion of listing**
On 17 October 2016, the shares of the Company have been listed on the GEM of the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group focuses on corporate finance and property investment. In respect of corporate finance, the Group primarily offers sponsorship, financial advisory and compliance advisory services to its clients. For property investment, the Group invests in real estate in Japan and Hong Kong and derives rental income therefrom.

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 17 October 2016.

Business Review

For 1H FY2017, the Group recorded revenue of HK\$23.2 million, representing a slight decrease of 5.5% compared to 1H FY2016. Property investment activities contributed about 54.7% of the Group's revenue in 1H FY2017 while the remaining portion was derived from corporate finance services of the Group.

Corporate finance

Compared with 1H FY2016, revenue from corporate finance services for 1H FY2017 declined by about 25.3% as the Group had more active sponsorship engagements and achievement of more significant acts, such as submission of listing application and successful listing, for sponsorship transactions in 1H FY2016. In this respect, revenue of sponsorship services declined from HK\$9.2 million in 1H FY2016 to HK\$5.5 million in 1H FY2017 while over the same period, revenue of financial advisory services also declined from HK\$3.3 million to HK\$2.7 million. These decreases were partially offset by higher revenue from compliance advisory services and other corporate finance services.

During 1H FY2017, the Directors have observed potential tightening of the regulatory environment for companies seeking a listing on the Stock Exchange which in turn may result in, among others, longer preparatory time and regulatory vetting of listing applications of sponsorship engagements. This also added uncertainties to achievement of milestones of significant acts. There was at the same time a slowdown in the Group's sponsorship activities and the pipeline on hand compared to the previous financial period. The aforementioned had given rise to downward pressure on revenue related to the Group's sponsorship activities.

The Directors also wish to highlight that revenue of its corporate finance activities, in particular, sponsorship engagements, is dependent on the timing and success of each project and as such, may vary from period to period.

Property investment

During 1H FY2017, the Group's property investment portfolio remained the same with 14 buildings (including freehold land) in Japan and one commercial unit in Hong Kong ("Property(ies)"). The Property in Hong Kong was fully occupied during this period, while the occupancy rate for the portfolio in Japan was 94.4% (1H FY2016: 88.7%). The improvement was mainly attributable to a higher occupancy rate of a Property, namely Azabu Sendaizaka Hills, in Tokyo.

Compared with 1H FY2016, revenue from property investment activities increased by 21.1% in 1H FY2017 due mainly to (i) JPY was stronger in 1H FY2017 at JPY13.5 per HK\$ compared with JPY15.7 per HK\$ in 1H FY2016; and (ii) the abovementioned higher occupancy rate of the Properties in Japan.

In mid-April 2016, Kumamoto Prefecture, in which one of the Properties (Rise Shimodori EXE) is located, was struck by a series of earthquakes. Subsequent to the earthquakes, the insurance company of such Property has committed to cover repair costs of up to JPY2.5 million (equivalent to HK\$0.2 million) resulting from damages caused by the earthquakes, out of which, the Group had spent JPY418,000 (equivalent to HK\$31,000) on repairs resulting from such damages up to 30 September 2016. No further repairs were conducted since then up to the date of this report.

As a precautionary measure, the Group has also allocated an additional JPY10.0 million (equivalent to HK\$0.7 million) to the capital expenditure reserve of the TK Operator of such Property. On 3 August 2016, the Property was certified by the government of the Kumamoto City to belong to the category of properties which had suffered the lowest level of damages among the four levels of damages as categorised by the government. The Group will continue to liaise with the property manager who will coordinate with tenants regarding any necessary repairs to such Property going forward.

Net (loss) profit for the period

The Group recorded a net loss of HK\$6.4 million in 1H FY2017 compared with net profit of HK\$5.9 million in 1H FY2016. The net loss in 1H FY2017 was mainly attributable to expenses relating to the Listing of HK\$10.9 million (1H FY2016: HK\$1.6 million). The Group's profitability in 1H FY2017 was also affected by a share of loss of associates in 1H FY2017 compared with a share of profit of associates in 1H FY2016. The aforementioned were partially offset by higher other income in 1H FY2017 of HK\$4.4 million arising mainly from net exchange gain during the period (1H FY2016: HK\$2.6 million).

Comparison of business objectives with actual business progress

As the shares of the Company were listed on 17 October 2016, no material progress has been made in respect of the business objectives as set out in the Prospectus, for the period from 26 September 2016 being the latest practicable date as defined in the Prospectus, and up to 30 September 2016.

Outlook

The Directors expect the Group's property investment business to remain stable contributing recurring rental income.

In October 2016, the Group, through its subsidiary Godo Kaisha Hourei, acquired a parcel of residential land in Sapporo for JPY7.0 million (equivalent to HK\$0.5 million). It is intended that a residential house will be built on this land for rental purposes. The total investment costs (including the land already acquired) are estimated at JPY27.0 million (equivalent to HK\$2.0 million). The prospective tenants for this property is intended to be a non-profit organization that provides support services to individuals with impairments, who will be occupants of the house.

The Group will expand its property investment business in line with the strategies of retaining and enhancing recurring income stream via expansion and diversification of its property investment portfolio. In this respect, the Directors have noted increasing rental demand from operators of care/support services and individuals under their care similar to those above; and have also noted their characteristics of being stable tenants and occupants of good credit standing. On this basis, the Directors intend to explore such opportunities as and when they arise.

For corporate finance business, the key drivers will be progress of the Group's ongoing sponsorship engagements; in particular, in respect of regulatory vetting time and outcome of listing applications of its sponsorship clients, and whether significant acts can be achieved. The Directors expect that financial performance of other corporate finance activities, including the financial advisory and compliance advisory services, will remain relatively stable.

There have been no material changes to the Group's business and operating environment since 30 September 2016.

Financial Review

Revenue

The Group's revenue by business activities during 1H FY2017 and 1H FY2016 is set out below.

	1H FY2017		1H FY2016	
	HKS'000 (unaudited)	No. of active engagements/ investment properties ^(note 1)	HKS'000 (unaudited)	No. of active engagements/ investment properties ^(note 1)
<i>Corporate finance services</i>				
Sponsorship services ^(note 2)	5,514	6	9,223	7
Financial advisory services	2,744	17	3,262	28
Compliance advisory services	1,878	6	1,514	5
Other corporate finance services	378	4	81	1
Subtotal	10,514		14,080	
<i>Investment portfolio</i>				
Rental income from properties in Japan	11,794	14	9,632	14
Rental income from property in Hong Kong	894	1	847	1
Subtotal	12,688		10,479	
Total	23,202		24,559	

Notes:

- (1) Active engagements represent corporate finance engagements from which the Group had derived income during the relevant period.
- (2) Excluding intra-group sponsorship fee of HK\$0.9 million charged in 1H FY2017 (1H FY2016: HK\$0.2 million) by Altus Capital Limited to the Company in respect of the Listing.

The Group's revenue in 1H FY2017 declined by about 5.5% compared with 1H FY2016 due mainly to a 25.3% decline in revenue from corporate finance services for 1H FY2017. In particular, revenue from sponsorship engagements was sharply lower, although this was offset by moderate increases in revenue of compliance advisory and other corporate finance services.

While the Group have had similar number of active sponsorship engagements in both 1H FY2017 and 1H FY2016, the Group achieved more significant acts in 1H FY2016 such as the listing of Pinestone Capital Limited as well as submission of two listing applications during the period. Comparatively, the achievement of milestones of significant acts in 1H FY2017 was lower despite two clients submitted their listing applications during the period; and while one sponsorship client was listed in April 2016, the relevant revenue from this client was recognised in the financial year ended 31 March 2016.

Compared to 1H FY2016, though we had fewer active financial advisory engagements in 1H FY2017, the effect on revenue derived from such services was partly mitigated by higher fees per transaction. During 1H FY2017, we gained more compliance advisory engagements compared with 1H FY2016 contributing to higher revenue from this service.

For the investment portfolio, rental income from Japan increased due mainly to (i) stronger JPY per HK\$ during 1H FY2017 compared to 1H FY2016 and (ii) higher occupancy rate of a Property, namely Azabu Sendaizaka Hills, in Tokyo.

Other income

The Group recorded increased other income of HK\$4.4 million in 1H FY2017 compared with HK\$2.6 million in 1H FY2016, which was mainly due to net exchange gain of HK\$2.4 million (1H FY2016: nil) as its JPY-denominated cash holdings appreciated in value in HK\$ terms during the period.

Net increase in fair value of investment properties

There is a net fair value gain of investment properties of HK\$1.1 million in 1H FY2017 (1H FY2016: nil) due to fair value of investment properties as at 31 July 2016 as disclosed in the Prospectus.

Property expenses

Property expenses in 1H FY2017 increased by 10.5% compared to 1H FY2016, due mainly to stronger JPY per HK\$ during 1H FY2017.

Administrative and operating expenses

Administrative and operating expenses increased significantly from HK\$15.0 million in 1H FY2016 to HK\$25.8 million in 1H FY2017. The significant increase is a result of non-recurring expenses relating to the Listing of HK\$10.9 million in 1H FY2017 compared with HK\$1.6 million in 1H FY2016. The Group's administrative and operating expenses for 1H FY2017 further increased by expenses of HK\$2.5 million relating to share-based payments in respect of the call options granted by the Company's holding company to two executive Directors to purchase shares of the Company.

Share of results of associates

The Group shared a loss of associates of HK\$1.6 million in 1H FY2017 compared to a share of profit of associates of HK\$1.0 million in 1H FY2016. This was primarily due to (i) the significant reduction in scale of operations of JRAM SG following the disposal of the entire portfolio under Saizen Real Estate Investment Trust ("Saizen REIT") in early 2016; and (ii) the continued losses of the operations of KK Tenyu Asset Management.

Net (loss) profit for the period

The table below set out the profitability of the Group excluding the impact of expenses relating to the Listing. Excluding such expenses, the Group's adjusted profit for 1H FY2017 compared with the result for 1H FY2016 would have reduced by 40.9%, primarily due to (i) lower revenue, in particular from sponsorship engagements; (ii) a share of loss instead of profit of results of associates; and (iii) expenses relating to the share-based payments.

	1H FY2017 HK\$'000	1H FY2016 HK\$'000
(Loss)/Profit for the period	(6,432)	5,934
Add: Expenses relating to Listing	10,879	1,590
Adjusted profit for the period	4,447	7,524

Listing and use of proceeds

The Listing occurred on 17 October 2016 after the Company successfully placed 200,000,000 new shares at the placing price of HK\$0.425 per share to raise gross proceeds of HK\$85.0 million. Net proceeds from the Placing amounted to HK\$67.0 million (excluding fees of HK\$2.0 million paid to Altus Capital Limited as one of the Joint Sponsor of the Company in connection with the Listing), which has been/will be deployed as to:

- (i) HK\$47.0 million for repayment of existing debts;
- (ii) HK\$10.0 million for expanding the range of corporate finance services offered to the Group's clients, in particular, to undertake underwriting or placing activities for its sponsorship clients;
- (iii) HK\$4.0 million for enhancement of human resources; and
- (iv) HK\$6.0 million for working capital and other general corporate purposes of the Group.

Since the Listing and up to the date of this report, HK\$43.7 million has been used for debt repayments referred to in (i) above.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations are mainly financed by shareholders' equity, bank loans and cash generated from operations. Prior to the Listing, it was also partially financed by loans from its shareholders.

Liquidity and Financial Resources

	As at 30 September 2016 (Unaudited) HK\$'000	As at 31 March 2016 (Audited) HK\$'000
Current assets	71,858	69,348
Current liabilities	119,809	111,189
Current ratio (times) ^(note 1)	0.6	0.6
Gearing ratio (%) ^(note 2)	44.0	51.7

Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective period.
- (2) Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective period.

The Group had net current liabilities of HK\$48.0 million and HK\$41.8 million as at 30 September 2016 and 31 March 2016 respectively. The net current liabilities positions were mainly due to (i) classification as current liabilities of certain secured bank borrowings with repayment on demand clause despite their maturity dates being in the years 2032 and 2034 (which were HK\$21.6 million and HK\$21.0 million as at 31 March 2016 and 30 September 2016 respectively); and (ii) dividend payable to the Group's ultimate holding company of HK\$35.0 million (31 March 2016: nil).

The classification described in (i) above is necessitated by the Hong Kong Interpretation 5 Presentation of Financial Statements. As at the date of this report, the dividend payable to the Group's ultimate holding company described in (ii) above had been fully settled.

Gearing ratio of the Group improved from 51.7% as at 31 March 2016 to 44.0% as at 30 September 2016, as an amount previously owing to the Group's ultimate holding company was repaid by way of loan capitalisation. The improvement was partially offset by a new loan of JPY120.0 million (equivalent to HK\$9.2 million) obtained by the Group from a bank in Japan in September 2016 as further described below.

Cash balance and bank borrowings

Cash balance

As at 30 September 2016, the Group had cash and bank balances amounted to HK\$67.2 million (31 March 2016: HK\$53.7 million) of which HK\$50.5 million was held in JPY and HK\$0.2 million was held in currencies other than HK\$.

Bank borrowings

As at 30 September 2016, the Group had interest bearing loans amounted to an equivalent in HK\$ terms of HK\$142.3 million. HK\$-denominated loans, which amounted to HK\$61.0 million, included instalment loans and revolving terms loans which carried floating interest rates with then prevailing rates of between 2.5% and 3.3% per annum.

Meanwhile, JPY1,069.3 million (equivalent to HK\$81.9 million) of the Group's loans as at 30 September 2016 were denominated in JPY, which were borrowed from banks in Japan. These loans from Japan banks generally have fixed interest rates (or which rates were fixed by interest rate swaps) over the term of the loans save for that in respect of Godo Kaisha Mameha, an TK Operator, as described below. Their interest rates ranged between 2.0% to 3.3% per annum and their maturity dates were between years 2021 and 2036.

During 1H FY2017, the Group had obtained a 20-year loan of principal amount of JPY120.0 million (equivalent to HK\$9.2 million) secured by a charge over the Property held under Godo Kaisha Mameha, a subsidiary of the Company and the TK Operator, from a bank in Japan. This loan has a fixed interest rate of 2.26% per annum for the first three years (with floating rate thereafter).

Calculation of interest coverage ratio was not applicable to the Group during 1H FY2017 as the Group incurred losses during the period as a result of one-off expenses relating to the Listing.

Charges on the Group's assets

As at 30 September 2016, all the Properties in Hong Kong and Japan had been charged in favour of banks and financial institutions in Hong Kong and Japan for the loans obtained from these banks and financial institutions.

Capital commitments

As at 31 March 2016 and 30 September 2016, the Group did not have any significant capital commitments.

Dividend

The Board declared an interim dividend of HK\$35 million on 26 September 2016 to the then shareholder of the Company, which was subsequently paid on 13 October 2016.

Other than the above, the Board did not recommend the payment of a dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: nil).

Significant investment held, material acquisition and disposal, and future plans thereof

During 1H FY2017, the Group did not hold any significant investment other than the property investment portfolio as its ordinary and usual course of business. There were also no material acquisition and disposal undergone by the Group during the period.

Foreign currency exposure

The Group's reporting currency is HK\$. While the Group's corporate finance business is predominantly conducted in HK\$, a substantial portion of the Group's investment portfolio in Japan is exposed to foreign currency risk, including the rental income received from these Properties. The Group's financial performance and position are therefore exposed to fluctuations in the value of JPY against HK\$.

JRAM SG is the manager of Saizen REIT, a REIT listed on the Mainboard of the Singapore Stock Exchange Securities Trading Limited, and the business operations of JRAM SG were principally conducted in S\$ and JPY. Given the significant reduction in scale of operations of JRAM SG since April 2016 following the disposal of the entire portfolio under Saizen REIT in early 2016, the Group's foreign currency exposure in respect of JRAM SG has reduced.

To address the foreign currency exposure, the Group monitors the matching of the currencies of its debt with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. As at the date of this report, loans to be serviced by rental income generated from and secured by properties in Japan were denominated in JPY; similarly, loans secured by properties (for investment and self-occupation) in Hong Kong were serviced by income derived from Hong Kong and denominated in HK\$.

Contingent liabilities

There were no material contingent liabilities as at 30 September 2016.

USE OF PROCEEDS FROM THE PLACING

The Listing took place on 17 October 2016 after completion of the Placing. Subsequent to the Listing and as at the date of this report, out of the net proceeds of HK\$67.0 million, HK\$43.7 million had been deployed towards repayment of existing debts. The remaining net proceeds are pending deployment.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2016, the shares of the Company were not listed on the Stock Exchange. The respective Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), Section 352 of the SFO and Rules 5.46 to 5.67 of the GEM Listing Rules were not applicable.

As of the date of this report, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

Interest or short positions in the shares of the Company:

Name of Director	Notes	Number of the shares interested ^(Note 3)	Approximate percentage of the total issued share capital of the Company (%)
Mr. Ip	1	600,000,000 (L)	75.0
		37,800,000 (S)	4.7
Mr. Chang	2	24,900,000 (L)	3.1
Ms. Leung	2	12,900,000 (L)	1.6

Notes:

- (1) KHHL is owned as to 20.0% by Ms. Chan and as to 80.0% by the Trustee on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Ip are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the shares of the Company held by KHHL.

- (2) Pursuant to the Option Deeds entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted call options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to 24,900,000 and 12,900,000 Option Shares, representing approximately 3.1% and 1.6% of the issued share capital of the Company (without taking into account of any shares which may be issued pursuant to the exercise of any options which may be granted under the share option scheme), at the exercise price of HK\$0.00004 per Option Share (subject to adjustment).
- (3) The letters “L” and “S” denote a long position and a short position in the shares of the Company respectively.

Interests in associated corporations of the Company:

Name	Name of associated corporation	Nature of interest	Interests in shares ^(Note 1)	Approximate percentage shareholding (%)
Mr. Ip	KHHL ^(Note 2)	Beneficiary of a trust	204 (L)	80.0
	I Corporation ^(Note 3)	Interest of spouse	14 (L)	20.0
Ms. Leung	Residence	Beneficial owner	10 (L)	0.33
Mr. Chang	Residence	Beneficial owner	5 (L)	0.17

Notes:

- (1) The letter “L” denotes a long position in the shares of the Company.
- (2) KHHL is a company which is owned as to 20% by Ms. Chan and as to 80% by The Trustee on behalf of The Hecico 1985 Trust, of which Mr. Ip is one of the beneficiaries. By virtue of the SFO, Mr. Ip is deemed to be interested in the shares of KHHL held by the Trustee.
- (3) Pursuant to the SFO, Mr. Ip, the spouse of Ms. Ho Shuk Yee, Samantha (“Ms. Ho”), is deemed to be interested in the shares of I Corporation held by Ms. Ho.

Save as disclosed above, as at the date of this report, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above and "Share Option Scheme" below, at no time during 1H FY2017 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2016, the shares of the Company were not listed on the Stock Exchange.

As at the date of this report, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

(a) Interests or short positions in the shares of the Company

Name of shareholder	Nature of interest	Number of shares interested ^(Note 1)	Approximate percentage of the total issued share capital of the Company (%)
KHHL ^(Note 2)	Beneficial owner	600,000,000 (L)	75.0
		37,800,000 (S) ^(Note 3)	4.7
The Trustee	Trustee	600,000,000 (L)	75.0
		37,800,000 (S) ^(Note 3)	4.7
Ms. Chan ^(Note 2)	Founder of a discretionary trust	600,000,000 (L)	75.0
		37,800,000 (S) ^(Note 3)	4.7
Mr. Ip ^(Note 2)	Beneficiary of a trust	600,000,000 (L)	75.0
		37,800,000 (S) ^(Note 3)	4.7
Ms. Ip ^(Note 2)	Beneficiary of a trust	600,000,000 (L)	75.0
		37,800,000 (S) ^(Note 3)	4.7
Ms. Ho ^(Note 4)	Interest of spouse	600,000,000 (L)	75.0
		37,800,000 (S) ^(Note 3)	4.7

Notes:

- (1) The letters "L" and "S" denote a long position and a short position in the shares of the Company respectively.
- (2) KHHL is owned as to 20.0% by Ms. Chan and as to 80.0% by The Trustee on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Ip are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the shares of the Company held by KHHL.
- (3) Pursuant to the Option Deeds entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted call options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to 24,900,000 and 12,900,000 Option Shares, representing approximately 3.1% and 1.6% of the issued share capital of our Company (without taking into account of any shares which may be issued pursuant to the exercise of any options which may be granted under the share option scheme), at the exercise price of HK\$0.00004 per Option Share (subject to adjustment).
- (4) Pursuant to the SFO, Ms. Ho, the spouse of Mr. Ip, is deemed to be interested in all the shares of the Company in which Mr. Ip is deemed to be interested in.

(b) Interests or short positions in other members of the Group

Name of shareholder	Name of member of our Group	Nature of interest	Number of shares ^(Note)	Percentage of shareholding (%)
Ms. Ho	I Corporation	Beneficial owner	14 (L)	20.0
Mr. Henry Shih	Smart Tact	Beneficial owner	922 (L)	10.0
	Residence	Beneficial owner	300 (L)	10.0
Mr. Richard Lo	Residence	Interest in controlled corporations	300 (L)	10.0
	EXE	Beneficial owner	10 (L)	10.0

Note: The letter "L" denotes a long position in the shares.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 30 September 2016, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sale or redeemed any of the listed shares of the Company from the date of Listing on 17 October 2016 up to now.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group had 26 staff (30 September 2015: 19) in total. The Group's remuneration policy is based on the relevant director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of the Group and are made with reference to those paid by comparable companies. Its employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, other allowances and benefits.

SHARE OPTION SCHEME

The Company adopted a share option scheme by shareholder resolution passed on 26 September 2016. Unless otherwise cancelled or amended, the share option scheme will remain in force for a period of 10 years from the date of its adoption. During the period from 26 to 30 September 2016, no share options were granted by the Company and there was no share option outstanding under the share option scheme as at 30 September 2016.

CORPORATE GOVERNANCE

Pursuant to the Rules 17.22 and 17.24 of the GEM Listing Rules, the Company has complied with and does not have advances to any entity nor advances to affiliated companies. In addition, pursuant to Rule 17.23 of the GEM Listing Rules, our major shareholders have not pledged any of the shares of the Company.

Since Listing, the Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rule.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for dealing in securities of the Company by the Directors (the "Required Standard of Dealings").

Having made specific enquiries to all the Directors, each of them have confirmed that they have complied with the Required Standard of Dealings throughout the period from the date of Listing to the date of this report. The Company has not been notified by any incident of non-compliance during such period.

COMPETING INTERESTS

Saved as disclosed at Prospectus, as at 30 September 2016, none of the Directors, substantial shareholders and their repetitive associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

INTEREST OF THE COMPLIANCE ADVISER

As at the date of this report, New Spring Capital Limited (“New Spring Capital”), the compliance adviser of the Company, except for (i) New Spring Capital participation as the sponsor in relation to the Listing, and (ii) the compliance adviser agreement entered into between the Company and New Spring Capital dated 8 April 2016, neither New Spring Capital nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the Corporate Governance Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Chan Sun Kwong. The other members are Mr. Chao Tien Yo and Mr. Lee Shu Yin respectively. The primary duty of the Audit Committee is to review and supervise the Company’s financial reporting process, the internal control systems of the Group and the monitoring of continuing connected transactions. Pursuant to C.3.3 of the Code on Corporate Governance Practices, the Audit Committee has reviewed the unaudited condensed consolidated results of the Group for 1H FY2017 and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

BOARD OF DIRECTORS

As at the date of this report, the Directors are:

Executive Directors:

Mr. Ip Arnold Tin Chee

Mr. Chang Sean Pey

Ms. Leung Churk Yin Jeanny

Independent Non-executive Directors:

Mr. Chao Tien Yo

Mr. Chan Sun Kwong

Mr. Lee Shu Yin

By Order of the Board of
ALTUS HOLDINGS LIMITED
Ip Arnold Tin Chee
Chairman

Hong Kong, 14 November 2016

This report will remain on the GEM website at <http://www.hkgem.com> on the “Latest Listed Company Information” page for at least seven days from the day of its publication and posting and will be published and remains on the website of the Company at <http://www.altus.com.hk>.