

# ALTUS .

**Altus Holdings Limited**

*incorporated in the Cayman Islands with limited liability*

*Stock Code : 8149*



INTERIM REPORT FY2018



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## FINANCIAL HIGHLIGHTS

- The Company and its subsidiaries (the “**Group**”) recorded an unaudited revenue of HK\$31.3 million for the six months ended 30 September 2017 (“**1H FY2018**”), representing an increase of approximately 34.9% when compared with HK\$23.2 million for the six months ended 30 September 2016 (“**1H FY2017**”).
- The Group recorded a net profit of HK\$3.1 million in 1H FY2018 compared with a net loss of HK\$6.4 million in 1H FY2017.

Based on the Group’s unaudited financial information for 1H FY2018 and 1H FY2017, the improvement in profitability in 1H FY2018 was principally due to the combined effects of (i) the increase in revenue from both corporate finance services and property investment; and (ii) the absence of listing expenses during 1H FY2018, where listing expenses of approximately HK\$10.9 million was incurred during 1H FY2017.

- The basic and diluted earnings per share in 1H FY2018 was HK0.34 cent and the basic and diluted loss per share in 1H FY2017 was HK1.12 cents.
- The Board recommends the payment of interim dividend of HK0.2 cent per share for 1H FY2018 (1H FY2017: nil).

## 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 2017 (“2Q FY2018”) and 1H FY2018, together with the comparative unaudited figures for the three months ended 30 September 2016 (“2Q FY2017”) and 1H FY2017, as follows:

### CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR 1H FY2018 AND 1H FY2017

	Notes	2Q FY2018 (Unaudited) HK\$'000	2Q FY2017 (Unaudited) HK\$'000	1H FY2018 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000
Revenue	3	14,123	10,235	31,296	23,202
Other income	5	696	1,135	1,446	4,378
Net increase in fair value of investment properties		–	1,081	–	1,081
Changes in fair value of derivative financial liabilities		(422)	38	(411)	70
Property expenses		(2,642)	(2,047)	(5,616)	(3,970)
Administrative and operating expenses		(8,007)	(13,977)	(19,190)	(25,822)
Share of results of associates		(76)	(612)	(357)	(1,588)
Finance costs	6	(1,331)	(951)	(2,459)	(1,839)
Profit/(Loss) before tax		2,341	(5,098)	4,709	(4,488)
Income tax expense	7	(705)	(1,106)	(1,650)	(1,944)
Profit/(Loss) for the period	8	1,636	(6,204)	3,059	(6,432)
<b>Other comprehensive (expense) income for the period</b>					
Change in fair value of available-for-sale investments		(85)	146	(58)	215
Loss on derecognition of available-for-sale investment		(28)	–	(28)	–
Exchange differences arising on translating of foreign operations		(724)	3,590	(291)	24,849
Share of translation reserve of associates		45	368	561	3,081
Other comprehensive (expense) income for the period		(792)	4,104	184	28,145
Total comprehensive income (expense) for the period		844	(2,100)	3,243	21,713



**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME FOR 1H FY2018 AND 1H  
FY2017 (CONTINUED)**

<i>Notes</i>	<b>2Q FY2018 (Unaudited) HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018 (Unaudited) HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Profit/(Loss) for the period attributable to:				
Owners of the Company	1,483	(6,286)	2,749	(6,748)
Non-controlling interests	153	82	310	316
	<b>1,636</b>	<b>(6,204)</b>	<b>3,059</b>	<b>(6,432)</b>
Total comprehensive income /(expense) for the period attributable to:				
Owners of the Company	705	(2,283)	2,953	20,690
Non-controlling interests	139	183	290	1,023
	<b>844</b>	<b>(2,100)</b>	<b>3,243</b>	<b>21,713</b>
	<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
<b>Earnings/(Loss) per share</b>				
– Basic and diluted	<i>10</i>	0.19	(1.05)	0.34
		(1.12)		

## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*As at 30 September 2017 and 31 March 2017*

	<i>Notes</i>	<b>As at 30 September 2017 (Unaudited) HK\$'000</b>	<b>As at 31 March 2017 (Audited) HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	<i>11</i>	44,414	44,663
Investment properties	<i>11</i>	511,088	429,001
Interests in associates		6,003	6,248
Available-for-sales investments	<i>12</i>	3,389	3,081
Deposit paid for acquisition of investment properties		694	2,085
		565,588	485,078
<b>Current assets</b>			
Trade and other receivables	<i>13</i>	4,609	4,383
Amounts due from associates		23	–
Fair value through profit or loss investment		556	–
Deposits placed in financial institution		1,066	382
Bank balances and cash		66,139	81,424
		72,393	86,189
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	8,842	10,114
Amount due to a director		156	483
Tax payable		3,444	2,886
Secured bank borrowings	<i>15</i>	90,597	72,672
		103,039	86,155
<b>Net current (liabilities)/asset</b>		<b>(30,646)</b>	<b>34</b>
<b>Total assets less current liabilities</b>		<b>534,942</b>	<b>485,112</b>



## CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 30 September 2017 and 31 March 2017

	<i>Notes</i>	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Secured bank borrowings	15	112,238	65,324
Derivative financial instruments	16	979	686
Other payables – tenant deposits – over 1 year	14	128	92
Provision for long service payment		168	168
Deferred tax liabilities		20,680	20,123
		<b>134,193</b>	<b>86,393</b>
		<b>400,749</b>	<b>398,719</b>
<b>Capital and reserves</b>			
Share capital	17	8,000	8,000
Reserves		385,344	382,047
Equity attributable to owners of the Company		393,344	390,047
Non-controlling interests		7,405	8,672
		<b>400,749</b>	<b>398,719</b>

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR 1H FY2018

	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 2017 (audited)	8,000	71,288	98,747	-	424	5,289	(22,034)	228,332	390,046	8,673	398,719
Profit for the period	-	-	-	-	-	-	-	2,749	2,749	310	3,059
Other comprehensive (expenses)/ income for the period:											
Change in fair value of available-for-sale investments	-	-	-	-	(58)	-	-	-	(58)	-	(58)
Derecognition of available-for-sale investments	-	-	-	-	(28)	-	-	-	(28)	-	(28)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(271)	-	(271)	(20)	(291)
Share of translation reserves of associates	-	-	-	-	-	-	561	-	561	-	561
	-	-	-	-	(86)	-	290	-	204	(20)	184
Total comprehensive (expense)/ income for the period	-	-	-	-	(86)	-	290	2,749	2,953	290	3,243
Contribution from shareholder	-	-	-	-	-	1,860	-	-	1,860	-	1,860
Acquisition of addition interest in a subsidiary	-	-	85	-	-	-	-	-	85	(1,427)	(1,342)
Dividend paid (note 9)	-	-	-	-	-	-	-	(1,600)	(1,600)	(131)	(1,731)
At 30 September 2017 (unaudited)	8,000	71,288	98,832	-	338	7,149	(21,744)	229,481	393,344	7,405	400,749



## 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	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 9)	(149,178)	-	149,178	-	-	-	-	-	-	-	-
Dividend 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 CASH FLOW FOR 1H FY2018 AND 1H FY2017

	1H FY2018 (Unaudited) HK\$'000	1H FY2017 (Unaudited) HK\$'000
Cash generated from operations		
Decrease in trade and other receivables	11	1,512
(Decrease)/Increase in trade and other payables	(1,601)	5,138
Other operating cash flows	10,472	622
	<b>8,882</b>	7,272
Income tax paid	(532)	(2,010)
Net cash generated from operating activities	<b>8,350</b>	5,262
Acquisition of available-for-sale investments	(576)	(1,771)
Proceed from disposal of fair value through profit and loss investments	165	-
Acquisition of fair value through profit and loss investment	(740)	-
Repayment from a director	-	1,977
Dividend received from associates	448	3,611
Dividend received from available-for-sale investments	18	7,842
Decrease in deposit paid for acquisition of investment properties	1,406	-
Purchases of investment properties	(83,658)	(231)
Purchases of property, plant and equipment	(399)	(375)
Other investing cash flows	28	(428)
Net cash (used in)/generated from investing activities	<b>(83,308)</b>	10,625
Interest paid	(2,788)	(1,919)
New borrowing raised	95,113	9,192
Repayment of borrowings	(29,398)	(3,329)
Dividend paid	(1,731)	(3,239)
Repayments to ultimate holding company	-	(4,480)
Acquisition of additional interest of a subsidiary	(1,342)	-
Net cash generated from/(used in) financing activities	<b>59,854</b>	(3,775)
Net (decrease)/increase in cash and cash equivalents	<b>(15,104)</b>	12,112
Cash and cash equivalents at beginning of period	81,806	53,813
Effect of foreign exchange rate changes	503	1,419
Cash and cash equivalents at end of period	<b>67,205</b>	67,344
Analysis of components of cash and cash equivalents:		
Deposits placed in financial institution	1,066	181
Bank balances and cash	66,139	67,163
	<b>67,205</b>	67,344



## 1. GENERAL

The Company was incorporated as an exempted company with limited liability on 11 November 2015 in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company were listed on GEM of the Stock Exchange on 17 October 2016. The addresses 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 investment. 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 ultimate holding company is Kinley-Hecico Holdings Limited ("**KHHL**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability and KHHL is ultimately controlled by two parties, Chan Kit Lai, Cecilia and The General Trust Company S.A. which the beneficiaries of the trust are Arnold Ip Tin Chee and Lam Ip Tin Wai Chyvette.

The condensed consolidated financial statements of the Group for 1H FY2018 (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 9 November 2017.

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



## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL INFORMATION

The interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by 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 2017 (the “2017 Financial Information”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA. These interim financial statements have been prepared in accordance with the same accounting policies adopted by the Group in the 2017 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 2017.

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 (the “Reorganisation”) as described in the section headed “History, Reorganisation and corporate structure” in the prospectus of the Company dated 30 September 2016 (the “Prospectus”), the Company became the holding company of the companies now comprising the Group on 26 September 2016.

The Group was under the common control and beneficially owned by KHHL throughout the period from 1 April 2015 or since their respective dates of incorporation up to 30 September 2017. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the interim financial statements of the Group have been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout 1H FY2017, by using the principles of merger accounting with reference to Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA.

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 OF CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

### (ii) Adoption of New or Revised HKFRSs

#### *Adoption of new or revised HKFRSs effective on 1 April 2017*

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

Amendment to HKAS7	Disclosure Initiative (amendments) <sup>1</sup>
Amendment to HKAS12	Recognition of Deferred Tax Assets for Unrealised Losses (amendments) <sup>1</sup>

<sup>1</sup> *Effective for annual period beginning on after 1 January 2017*

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

Revenue represents revenue arising on service rendered and leasing of investment properties during the period as follows:

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Corporate finance services	5,711	3,894	15,202	10,514
Property investment <i>(note)</i>	8,412	6,341	16,094	12,688
	<b>14,123</b>	10,235	<b>31,296</b>	23,202

### 3. REVENUE (CONTINUED)

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

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Gross rental income from investment properties	<b>8,412</b>	6,341	<b>16,094</b>	12,688
Less:				
Direct operating expenses incurred for investment properties that generated rental income during the period (included in property expenses)	<b>(2,642)</b>	(2,047)	<b>(5,616)</b>	(3,970)
<b>Net rental income</b>	<b>5,770</b>	4,294	<b>10,478</b>	8,718

### 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; and
- (ii) Property investment – leasing of investment properties for residential and commercial use.



#### 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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Corporate finance services	2,010	2,955
Property investment	513,963	432,194
<b>Total segment assets</b>	<b>515,973</b>	<b>435,149</b>
Unallocated	122,008	136,118
<b>Total assets</b>	<b>637,981</b>	<b>571,267</b>
Segment liabilities	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Corporate finance services	414	2,334
Property investment	128,589	78,357
<b>Total segment liabilities</b>	<b>129,003</b>	<b>80,691</b>
Unallocated	108,229	91,857
<b>Total liabilities</b>	<b>237,232</b>	<b>172,548</b>



## 4. SEGMENT INFORMATION (CONTINUED)

### Segment Assets and Liabilities (Continued)

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, fair value through profit or loss investment, 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.

### Revenue from major services

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

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Sponsorship services	4,052	1,130	9,671	5,514
Financial advisory services	961	1,691	3,948	2,744
Compliance advisory services	687	957	1,572	1,878
Other corporate finance services	11	116	11	378
	5,711	3,894	15,202	10,514
Rental income	8,412	6,341	16,094	12,688
	14,123	10,235	31,296	23,202

## 5. OTHER INCOME

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Bank interest income	16	1	27	2
Net exchange gain	–	29	–	2,417
Dividend income from available-for-sale investments	251	270	265	270
Loss on disposal of available-for-sale investments	(182)	–	(182)	–
Unrealised fair value change in fair value thought profit or loss investment	(39)	–	(39)	–
Gain on disposal of fair value through profit or loss	–	–	20	–
Reversal of impairment allowances of trade receivables	–	–	–	8
Administrative fee income	650	831	1,355	1,603
Marketing service income	–	–	–	66
Sundry income	–	4	–	12
	<b>696</b>	<b>1,135</b>	<b>1,446</b>	<b>4,378</b>

## 6. FINANCE COSTS

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Interests on amount due to ultimate holding company	–	7	–	22
Interests on secured bank borrowings	1,331	944	2,459	1,817
	<b>1,331</b>	<b>951</b>	<b>2,459</b>	<b>1,839</b>

## 7. INCOME TAX EXPENSE

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HKS'000</b>	2Q FY2017 (Unaudited) HKS'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HKS'000</b>	1H FY2017 (Unaudited) HKS'000
Current tax:				
Hong Kong Profits Tax				
– Current year	(92)	275	134	375
Japanese Corporate Income Tax	89	11	155	38
Japanese Withholding Tax	487	335	775	799
	<b>484</b>	621	<b>1,064</b>	1,212
Deferred taxation	221	485	586	732
	<b>705</b>	1,106	<b>1,650</b>	1,944

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for 1H FY2018 and 1H FY2017.

Under the Japan Corporate Income Tax Law, Japanese Corporate Income Tax is calculated at 33.8%, and 33.06% of the estimated assessable profits for 1H FY2018 and 1H FY2017. However, regarding to the TK Arrangement, the applicable tax rate of those Japanese subsidiaries is 20.42% for 1H FY2018 and 1H FY2017.

Japanese Withholding Tax was calculated at 20.42% of the distributed income from Japanese subsidiaries for 1H FY2018 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. PROFIT/(LOSS) FOR THE PERIOD

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Profit/(Loss) for the period has been arrived at after charging:				
Staff cost excluding directors' emoluments:				
– Salaries, bonus and other benefits	2,319	1,712	6,431	5,259
– Contributions to retirement benefits schemes	91	79	183	159
<b>Total staff costs, excluding directors' emoluments</b>	<b>2,410</b>	<b>1,791</b>	<b>6,614</b>	<b>5,418</b>
Auditors' remuneration	225	71	450	128
Depreciation of property, plant and equipment	327	328	648	646
Share based payments	930	1,263	1,860	2,470
Listing expenses	–	8,009	–	10,879
Reversal of impairment loss on trade receivable	(7)	–	(4)	–
Exchange loss	339	–	356	–

## 9. DIVIDENDS

	1H FY2018 HK\$'000	1H FY2017 HK\$'000
Dividends recognised as distribution to ultimate holding company/non-controlling interests during the period by:		
<u>Altus Holdings Limited</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</u>		
2016 first interim, paid – JPY1,543 per share (equivalent to HK\$111 per share)	–	333
2016 second interim, paid – JPY2,283 per share (equivalent to HK\$172 per share)	–	110
<u>Smart Tact Property Investment Limited</u>		
2017 interim, paid – JPY565 per share (equivalent to HK\$40 per share)	45	–
2016 interim, paid – JPY868 per share (equivalent to HK\$61 per share)	–	68
<u>I Corporation</u>		
2017 interim, paid – JPY60,414 per share (equivalent to HK\$4,283 per share)	60	–
2016 interim, paid – JPY40,418 per share (equivalent to HK\$2,946 per share)	–	41
<u>EXE Rise Shimodori Investor Limited</u>		
2017 interim, paid – JPY36,981 per share (equivalent to HK\$2,599 per share)	26	–
2016 interim, paid – JPY66,691 per share (equivalent to HK\$4,928 per share)	–	49
	<b>131</b>	<b>38,351</b>

The Board recommends the payment of interim dividend of HK0.2 cent per share for 1H FY2018 (1H FY2017: nil).

## 10. EARNINGS/(LOSS) PER SHARE

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

	<b>2Q FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	2Q FY2017 (Unaudited) HK\$'000	<b>1H FY2018</b> <b>(Unaudited)</b> <b>HK\$'000</b>	1H FY2017 (Unaudited) HK\$'000
Earnings/(loss) for the period attributable to owners of the Company for the purpose of basic earnings/(loss) per share	<b>1,483</b>	(6,286)	<b>2,749</b>	(6,748)

	<b>30 September</b> <b>2017</b> <b>'000</b>	30 September 2016 '000	<b>30 September</b> <b>2017</b> <b>'000</b>	30 September 2016 '000
Number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>800,000</b>	600,000	<b>800,000</b>	600,000

The number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been determined on the assumption that the Reorganisation and the Capitalisation as detailed in section headed "Share capital" in Prospectus.

Diluted earnings/(loss) per share are same as basic earnings/(loss) per share as there were no dilutive potential ordinary shares during the periods.

## 11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the 1H FY2018, the Group spent HK\$399,000 (1H FY2017: HK\$375,000) on additions to properties, plant and equipment and HK\$83,658,000 (1H FY2017: HK\$231,000) on additions to or purchase of investment properties.

The Group has pledged land and building with a carrying value of HK\$43,768,000 and HK\$44,260,000 to secure bank borrowings of the Group as at 30 September 2017 and 31 March 2017 respectively.

The Group has pledged investment properties with a carrying value of HK\$487,454,000 and HK\$364,018,000 to secure bank borrowings of the Group as at 30 September 2017 and 31 March 2017 respectively.



## 12. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Listed investments (stated as fair value):		
Equity securities listed in Hong Kong	1,731	1,395
Equity securities listed in Singapore	–	182
	<b>1,731</b>	<b>1,577</b>
Unlisted investments (stated at cost):		
Debentures and club membership	1,518	1,504
Other	140	–
	<b>3,389</b>	<b>3,081</b>

## 13. TRADE AND OTHER RECEIVABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade receivables ( <i>note</i> )	1,656	1,912
Less: allowances for impairment of trade receivables	(2)	(5)
	<b>1,654</b>	<b>1,907</b>
Other receivables	2,955	2,476
	<b>4,609</b>	<b>4,383</b>

*Note:* As at 30 September 2017, included in trade receivables was an amount of HK\$246,000 (31 March 2017: HK\$247,000) which was due from Japan Residential Assets Manager Limited, 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.

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	At 31 March 2017 (Audited) HK\$'000
– Within 30 days	1,592	1,606
– More than 30 but within 60 days	3	25
– More than 60 but within 90 days	24	–
– More than 90 but within 180 days	35	151
– Over 180 days	–	125
	<b>1,654</b>	<b>1,907</b>

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK\$1,654,000 and HK\$1,907,000 which were past due as at 30 September 2017 and 31 March 2017 respectively for which the Group has not provided for impairment loss.

Trade receivables that were past due but not impaired were 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:

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	At 31 March 2017 (Audited) HK\$'000
Deposits	191	382
Prepayments	1,522	869
Dividend receivables	247	–
Other receivables	995	1,225
	<b>2,955</b>	<b>2,476</b>



## 14. TRADE AND OTHER PAYABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade payables	99	76
Other payables	8,871	10,130
	<b>8,970</b>	<b>10,206</b>

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

## 15. SECURED BANK BORROWINGS

During the period, the Group obtained new bank borrowings of approximately HK\$95,113,000 (1H FY2017: HK\$9,192,000) which will be repayable from year 2017 to year 2042. The proceeds were used to finance the acquisitions of investment properties and for general working capital purpose.

During the period, the Group repaid bank borrowings of approximately HK\$29,398,000 (1H FY2017: HK\$3,329,000).

Bank borrowings of the Group carry interest at fixed interest rates (which are also equal to contracted interest rates) ranging from 1.11% to 3.53% per annum (for the year ended 31 March 2017: 1.37% to 3.35%) and at variable interest rates ranging from 1.65% to 2.85% per annum (for the year ended 31 March 2017: 1.65% to 3.59%).

The maturity periods of the bank borrowings range from one month to 25 years (for the year ended 31 March 2017: one month to 19 years).

As at 30 September 2017 and 31 March 2017, the Group's bank borrowings were secured by the land and building and certain investment properties of the Group.

An associate of the Group had provided guarantees to certain banks in respect of the bank borrowings granted to the Group as at 30 September 2017 and 31 March 2017.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Interest rate swaps	979	686

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

## 17. SHARE CAPITAL

The Company	Number of Ordinary shares	Share capital (Audited) HK\$'000
Ordinary share of HK\$0.01 each		
Authorised at 30 September 2017 and 31 March 2017	5,000,000,000	50,000
Issued and fully paid at 30 September 2017 and 31 March 2017	800,000,000	8,000

## 18. OPERATING LEASE COMMITMENTS

### The Group as Lessor

During 1H FY2018 and the year ended 31 March 2017, the properties held for rental purpose by the Group have been expected to generate rental yields of 6.3% and 5.7% 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 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within one year	4,421	2,385
In the second to fifth year inclusive	3,350	—
	7,771	2,385

### The Group as Lessee

During 1H FY2018, the Group leased an office under non-cancellable operating lease agreements. The lease term is 3 years. The lease agreement is renewable at the end of the lease period at market rate.

The future aggregate minimum lease payment under non-cancellable operating lease are as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within one year	252	—
In the second to fifth year inclusive	441	—
	693	—

## 19. CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities (31 March 2017: nil).

## 20. RELATED PARTY TRANSACTIONS

### (a) Transactions

During 1H FY2018 and 1H FY2017, the Group entered into the following transactions with related parties:

Name of the related party	Relationship	Nature of transactions	1H FY2018 HK\$'000	1H FY2017 HK\$'000
KK Tenyu Asset Management	Associate	Marketing service income received (included in other income)	–	66
		Asset management fee paid	(153)	(52)
		Guarantee fee paid	(70)	(72)
		Listing expenses	–	(81)
Japan Special Situation Investment Limited	Former associate	Accountancy fee income received (included in other income)	–	6
Japan Residential Assets Manager Ltd.	Associate	Administrative fee income received	1,355	1,603
KHHL	Ultimate holding company	Interest paid	–	(22)

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

## 20. RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Compensation of key management personnel

The remuneration of the directors of the Company, being the key management during 2Q FY2018, 2Q FY2017, 1H FY2018 and 1H FY2017 was as follows:

	2Q FY2018 (Unaudited)	2Q FY2017 (Unaudited)	1H FY2018 (Unaudited)	1H FY2017 (Unaudited)
Short-term benefits	1,078	1,262	4,202	3,936
Share based payments	930	1,263	1,860	2,470
Post-employment benefits	14	14	27	26
	<b>2,022</b>	2,539	<b>6,089</b>	6,432

## 21. MAJOR NON-CASH TRANSACTIONS

The Group has the following major non-cash transactions:

- 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.
- During 1H FY2017, Altus Investments had capitalised the amount due to KHHL of approximately HK\$27,004,000 as share capital and allot 999,996 ordinary shares to KHHL.
- 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.
- On 4 March 2016, call option deeds had been entered into between KHHL and the directors of the Company, Mr. Chang Sean Pey and Ms. Leung Churk Yin Jeanny. The deeds entitled Mr. Chang Sean Pey and Ms. Leung Churk Yin Jeanny 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 FY2018, an amount of HK\$1,860,000 had been recognised in the profit or loss, and the corresponding shareholder’s contribution had been recognised in equity (1H FY2017: HK\$2,470,000).



## 22. CAPITAL COMMITMENT

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	<b>At 31 March 2017 (Audited) HK\$'000</b>
Capital expenditure in respect of acquisition of investment properties contracted for but not provided in the interim financial statements	<b>37,306</b>	71,115
	<b>37,306</b>	71,115

## 23. EVENT AFTER THE REPORTING PERIOD

On 29 August 2017, GK Yuzuha, a wholly-owned subsidiary of the Group, entered into a sales and purchase agreement with an independent vendor to acquire a property located in Kagoshima City, Japan (the “**Acquisition**”) at the total cash consideration of JPY530,000,000 (equivalent to approximately HK\$38,000,000) excluding acquisition related expenses, for the purpose of rental earnings and/or capital appreciation. The Acquisition, which constituted as a disclosable transaction of the Company under Chapter 19 of the GEM Listing Rules, was completed on 26 October 2017. Details of the Acquisition are set out in the announcement of the Company dated 29 August 2017.



## 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.

### **Business Review**

For 1H FY2018, the Group recorded revenue of approximately HK\$31.3 million, representing an increase of approximately 34.9% as compared with 1H FY2017. Property investment activities contributed about 51.4% of the Group's revenue during 1H FY2018 while the remaining portion was derived from corporate finance services.

### ***Corporate finance***

Revenue from corporate finance services for 1H FY2018 increased by approximately 44.6% as compared to 1H FY2017. This was mainly attributable to (i) the increase in revenue generated from sponsorship engagements due to achievement of more billing milestones such as submission of listing application and successful listing in 1H FY2018; and (ii) the increase in revenue generated from financial advisory services. In respect of the revenue from major services under corporate finance, revenue of sponsorship services increased from approximately HK\$5.5 million in 1H FY2017 to approximately HK\$9.7 million in 1H FY2018, while revenue of financial advisory services also increased from approximately HK\$2.7 million to approximately HK\$3.9 million over the same period. However, such increase in 1H FY2018 was partially offset by lower revenue generated from compliance advisory services and other corporate finance services during the same period.

### ***Property investment***

Revenue from property investment for 1H FY2018 increased by approximately 26.8% as compared to 1H FY2017. This was mainly attributable to the increase in number of buildings in the Group's property investment portfolio in Japan.

During 1H FY2018, the Group's property investment portfolio had increased to 20 buildings in Japan (1H FY2017: 14) and one commercial unit in Hong Kong (the "Property(ies)"). The occupancy rate for the Property in Hong Kong was approximately 86.0% during 1H FY2018 as the office unit located at Duddell Street, Central was vacant for a short period from 1 to 25 June 2017 due to a change of tenant. Such Property was subsequently leased to an independent third party. For the Properties in Japan, the occupancy rate during 1H FY2018 was approximately 92.9%, which remained relatively stable as compared to approximately 94.4% during 1H FY2017.

### ***Net profit/(loss) for the period***

The Group recorded a net profit of approximately HK\$3.1 million during 1H FY2018 as compared with a net loss of approximately HK\$6.4 million during 1H FY2017. The improvement in profitability was mainly attributable to (i) the increase in revenue from both corporate finance services and property investment; and (ii) the absence of listing expenses during 1H FY2018 where approximately HK\$10.9 million was incurred during 1H FY2017.

The aforementioned was partially offset by (i) the change from net exchange gain to net exchange loss recorded; (ii) the increase in directors' remuneration and staff costs; and (iii) the increase in post listing compliance related expenses.

### ***Comparison of business objectives with actual business progress***

Since the listing of the shares of the Company, (save for the change of use of proceeds originally designated for underwriting or placing activities towards repayment of bank debt), we have continued to conduct our businesses according to the objectives and progress as stated 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 2017.

## **Financial Review**

### ***Revenue***

The Group's revenue by business activities during 1H FY2018 and 1H FY2017 is set out below.

	<b>1H FY2018</b>		<b>1H FY2017</b>	
	<b>HK\$'000</b>	<b>No. of active engagements/ investment properties<sup>(note 1)</sup></b>	<b>HK\$'000</b>	<b>No. of active engagements/ investment properties<sup>(note 1)</sup></b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
<i>Corporate finance services</i>				
Sponsorship services <sup>(note 2)</sup>	9,671	6	5,514	6
Financial advisory services <sup>(note 2)</sup>	3,948	28	2,744	17
Compliance advisory services	1,572	6	1,878	6
Other corporate finance services	11	1	378	4
<b>Subtotal</b>	<b>15,202</b>		<b>10,514</b>	
<i>Investment portfolio</i>				
Rental income from properties in Japan	15,274	20	11,794	14
Rental income from properties in Hong Kong	820	1	894	1
<b>Subtotal</b>	<b>16,094</b>		<b>12,688</b>	
<b>Total</b>	<b>31,296</b>		<b>23,202</b>	



*Notes:*

- (1) *Active engagements represent corporate finance engagements from which the Group had derived income during the relevant period.*
- (2) *For 1H FY2018 and 1H FY2017, the intra-group fee of approximately HK\$0.5 million and HK\$0.9 million respectively charged by Altus Capital Limited to the Company and its subsidiary.*

The Group's revenue during 1H FY2018 increased by approximately 34.9% as compared with 1H FY2017, mainly due to the increase in revenue from both corporate finance services and property investment. In particular, revenue from sponsorship engagements was significantly higher.

While the Group have had the same number of active sponsorship engagements during both 1H FY2018 and 1H FY 2017, the Group achieved more significant milestones during 1H FY2018 such as the listing of Okura Holdings Limited as well as submission of three listing applications during the period. Comparatively, the achievement of milestones of significant acts during 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 during the financial year ended 31 March 2016.

During 1H FY2018, we had more active financial advisory engagements as compared with 1H FY2017 contributing to higher revenue from this service. Despite of the same number of active compliance advisory engagements during 1H FY2018 as compared with 1H FY2017, the decrease in revenue from compliance advisory services was mainly due to lower fees per transaction during 1H FY2018.

For the investment portfolio, rental income from Japan increased due mainly to increase in number of buildings in the Group's property investment portfolio in Japan during 1H FY2018.

***Other income***

The Group recorded a decrease in other income from approximately HK\$4.4 million during 1H FY2017 to approximately HK\$1.4 million during 1H FY2018, mainly due to (i) the decrease in administrative fee income, in particular, the administrative fee income from JRAM SG (as defined below); and (ii) the change from net exchange gain in 1H FY2017 to net exchange loss recorded in 1H FY2018 as the Group's JPY-denominated cash holdings depreciated in value in HK\$ terms during the period.

***Net increase in fair value of investment properties***

The Group did not record any changes in fair value of investment properties during 1H FY2018 while there was a net fair value gain of investment properties of approximately HK\$1.1 million recorded during 1H FY2017.

***Property expenses***

Property expenses in 1H FY2018 increased by approximately 41.5% compared to 1H FY2017, due mainly to the increase in number of investment properties in Japan during 1H FY2018.





### *Administrative and operating expenses*

Administrative and operating expenses decreased from approximately HK\$25.8 million during 1H FY2017 to approximately HK\$19.2 million during 1H FY2018. Such decrease was a result of non-recurring listing expenses of approximately HK\$10.9 million incurred during 1H FY2017.

Excluding the impact of the one-off listing expenses in 1H FY2017, for illustration purpose only, administrative and operating expenses increased from approximately HK\$14.9 million during 1H FY2017 to approximately HK\$19.2 million in 1H FY2018. Such increase was mainly due to the increase in (i) Directors' remuneration (including the fees of the independent non-executive Directors appointed since September 2016) and staff costs; (ii) professional expenses; and (iii) post listing compliance related expenses.

### *Share of results of associates*

The Group's 40%-owned associate, Japan Residential Assets Manager Limited ("JRAM SG"), is the manager of Saizen REIT, a real estate investment trust previously listed on the Mainboard of the Singapore Stock Exchange Securities Trading Limited ("SGX-ST"). Saizen REIT was terminated and delisted from SGX-ST in October 2017. JRAM SG is expected to be wound up following Saizen REIT's termination.

The Group shared a smaller loss of associates of approximately HK\$0.4 million during 1H FY2018 as compared to a loss of approximately HK\$1.6 million during 1H FY2017. This was primarily due to a gain recorded by KK Tenyu Asset Management's operations in 1H FY2018 compared to a loss in 1H FY2017.

### *Net profit/(loss) for the period*

The table below sets out the profitability of the Group excluding (i) the impact of listing expenses incurred during 1H FY2017; (ii) the impact of currency exchange during 1H FY2017 and 1H FY2018; and (iii) the impact of expenses relating to the share based payments. Excluding these impacts, the Group's adjusted profit for 1H FY2018 would have increased by approximately 17.5% as compared with the adjusted profit for 1H FY2017, primarily due to the increase in revenue from both corporate finance services and property investment. However, such increase in revenue was partially offset by (i) higher Directors' remuneration and staff costs; and (ii) higher post listing compliance related expenses, such as printing costs and professional expenses during 1H FY2018.

	<b>1H FY2018</b>	1H FY2017
	<b>HK\$'000</b>	HK\$'000
Profit/(Loss) for the period	<b>3,072</b>	(6,432)
<i>Excluding:</i>		
Listing expenses	–	10,879
Net exchange loss/(gain)	<b>356</b>	(2,417)
Share based payments	<b>1,860</b>	2,470
<b>Adjusted profit for the period</b>	<b>5,288</b>	4,500

## LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group's operations are mainly financed by shareholders' equity (including equity raised pursuant to the Listing), bank loans and cash generated from operations.

	<b>As at 30 September 2017 (Unaudited) HK\$'000</b>	As at 31 March 2017 (Audited) HK\$'000
Current assets	<b>72,393</b>	86,189
Current liabilities	<b>103,039</b>	86,155
Current ratio (times) <sup>(note 1)</sup>	<b>0.7</b>	1.0
Gearing ratio (%) <sup>(note 2)</sup>	<b>50.6</b>	34.7

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 approximately HK\$30.6 million as at 30 September 2017 and net current assets of approximately HK\$0.03 million as at 31 March 2017 respectively. The change from a net current asset position to a net current liabilities position was mainly due to (i) the decrease in banks and cash balances; and (ii) the increase in secured bank borrowings with maturity within one year.

The net current liabilities position was primarily attributable to the classification as current liabilities (in accordance with the HKFRS) of loans of approximately HK\$32.6 million with repayment on demand clauses, despite being repayable in more than one year. The Group may record net current liabilities position from time to time. Please refer to the paragraph headed "Our Group recorded net current liabilities" under the section headed "Risk factors" of the prospectus issued by the Company on 30 September 2016.

Gearing ratio as at 30 September 2017 increased to approximately 50.6% from approximately 34.7% as at 31 March 2017. Such increase was mainly due to the new loans with total principal amount of approximately JPY770.0 million (equivalent to approximately HK\$53.4 million) obtained from banks in Japan as further described below.

### Cash balance

As at 30 September 2017, the Group had cash and bank balances of approximately HK\$66.1 million (31 March 2017: HK\$81.4 million) of which approximately HK\$42.0 million was held in JPY and a further approximately HK\$0.3 million was held in currencies other than HK\$.



### Bank borrowings

Total interest bearing loans of the Group increased from approximately HK\$138.0 million as at 31 March 2017 to approximately HK\$202.8 million as at 30 September 2017. It was mainly due to the Group obtaining four new loans with total principal amount of JPY770.0 million (equivalent to approximately HK\$53.4 million). Certain details of the new bank borrowings are set out below.

Type	Lender	Principal (in JPY' million)	Interest rate per annum	Security/guarantee provided
A 10-year loan	A bank in Japan	140.0	2.33%	Properties in Japan held under Yugen Kaisha Houten
A 25-year loan	A bank in Japan	240.0	2.85%	Properties in Japan held under Godo Kaisha Yuzuha
A 25-year loan	A bank in Japan	120.0	2.85%	Properties in Japan held under Godo Kaisha Yuzuha
A 25-year loan	A bank in Japan	270.0	2.55%	Properties in Japan held under Godo Kaisha Yuzuha

As at 30 September 2017, approximately HK\$70.6 million (as at 31 March 2017: HK\$76.4 million) of the Group's interest bearing loans had variable interest rates. The interest coverage ratio as at 30 September 2017 was approximately 2.9 times (as at 31 March 2017: 6.9 times).

### Charges on the Group's assets

As at 30 September 2017, (i) the properties in Hong Kong; and (ii) save for Kitano Machikado GH and Rakuyukan 36, all the properties in Japan, had been charged in favour of banks and financial institutions in Hong Kong and Japan for loans obtained from these banks and financial institutions.

### Capital commitments/Contingent liabilities

Save as disclosed below, the Group did not have any significant capital commitments and contingent liabilities as at 30 September 2017.

On 29 August 2017, GK Yuzuha, a wholly-owned subsidiary of the Group, entered into a sales and purchase agreement with an independent vendor to acquire a property located in Kagoshima City, Japan (the "Acquisition") at the total cash consideration of JPY530,000,000 (equivalent to approximately HK\$38,000,000) excluding acquisition related expenses, for the purpose of rental earnings and/or capital appreciation. The Acquisition, which constituted as a disclosable transaction of the Company under Chapter 19 of the GEM Listing Rules, was completed on 26 October 2017. Details of the Acquisition are set out in the announcement of the Company dated 29 August 2017.



### **Dividend and book closure**

The Board previously recommended a final dividend of HK0.2 cent per share of the Company for the financial year ended 31 March 2017. The Board did not previously recommend any interim dividend for the financial year ended 31 March 2017. The final dividend of HK0.2 cent per share of the Company for the financial year ended 31 March 2017 was paid on 29 September 2017 to the shareholders whose names appear on the register of members of the Company on 5 September 2017.

The Board has recommended an interim dividend of HK0.2 cent per share of the Company for the six months ended 30 September 2017 (2016: nil). The register of members of the Company will be closed from 24 November 2017 to 28 November 2017, both days inclusive, during which period no transfer of shares will be registered. This interim dividend will be paid on 19 December 2017 to the shareholders whose names appear on the register of members of the Company on 28 November 2017. For the entitlement to this proposed interim dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 23 November 2017.

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

During 1H FY2018, 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, other than property investment activities.

### **Foreign exchange and interest rate exposures**

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\$.

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\$.

To mitigate risks associated with fluctuations of interest rates, our Group had entered into derivative financial instruments in 1H FY2018 as a means to effectively fix the interest rate of some of its loans in Japan. As at 30 September 2017, the aggregate outstanding amount in relation to such borrowings amounted to approximately HK\$33.8 million.



## OUTLOOK

The Directors expect the Group's property investment business to remain stable and continue to contribute to its revenue with enhanced recurring rental income stream. The Group acquired three residential buildings in Kumamoto City, Japan during the 1H FY2018 and further completed the acquisition of one commercial building in Kagoshima City, Japan in October 2017. The Group will continue to expand and diversify its property investment portfolio in line with its investment strategies as stated in the Prospectus and its annual report for the year ended 31 March 2017 ("**FY2017 Annual Report**") when appropriate investment opportunities arise. Having completed several acquisitions recently, the Group's gearing has increased, and the Directors intend to reduce the pace and size of acquisitions. The Directors are considering possible disposals of some older assets in the portfolio in Japan, and possible disposals of minority interests in certain assets, with a view to improve the portfolio mix and liquidity. The Directors in the meantime are also considering investment opportunities of a smaller size including minority positions in Japan.

With regards to the Group's corporate finance services, the Directors have confidence in the Group's ability to continuously adhere and adapt to the changing regulatory environment. Given that the demand for corporate finance services is expected to continue to grow in line with the growth of the market, the Directors will continue to enhance the Group's human resources to cater to such demand. In addition, the Directors intend to balance the Group's revenue source between sponsorship services and financial advisory services taking into account staff resources, complexity of deals and recurring nature of clients.

The Directors also intend to maintain a balance among the Group's revenue source, that is, between property investment business and corporate finance business. With respect to the Group's investment portfolio, the Directors intend to expand the Group's other investment activities, including but not limited to, securities listed on the Stock Exchange.

There have been no material changes to the Group's business and operating environment since 30 September 2017.

## LISTING AND USE OF PROCEEDS

The shares of the Company were successfully listed on GEM on 17 October 2016 (the "**Listing**"). As part of the Listing arrangement, 200,000,000 new shares of the Company were placed at the placing price of HK\$0.425 per share, raising gross proceeds of approximately HK\$85.0 million (the "**Placing**"). Net proceeds from the Placing amounted to approximately HK\$67.0 million (excluding fees of approximately HK\$2.0 million paid to Altus Capital Limited as one of the joint sponsors of the Company in connection with the Listing), has been/will be deployed as to:

- (i) HK\$57.0 million for repayment of debts;
- (ii) HK\$4.0 million for enhancement of human resources; and
- (iii) HK\$6.0 million for working capital and other general corporate purposes of the Group.

As at 30 September 2017, the net proceeds had been utilised as follows:

	<b>Net proceeds allocated</b>	<b>Amount utilised as at 30 September 2017</b>	<b>Balance</b>
	HK\$ million	HK\$ million	HK\$ million
Repayment of debts	57.0	47.0	10.0
Enhancement of human resources	4.0	4.0	–
General working capital	6.0	6.0	–
<b>Total</b>	<b>67.0</b>	<b>57.0</b>	<b>10.0</b>

As at 30 September 2017, unutilised proceeds of approximately HK\$10.0 million were deposited in a licensed bank in Hong Kong.

#### **Reasons for the change of use of net proceeds**

As explained in the first quarterly report of the Company for three months ended 30 June 2017, with the changing environment of offering mechanisms and consequential changes to the work expected for underwriters and placing agents in underwriting and placing activities for initial public offerings, the Directors decided to remain focus on sponsorship and financial advisory services, and not to expand into the underwriting business; and to deploy the unutilised proceeds of approximately HK\$10.0 million for the repayment of debt.

## **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 2017, the Directors and chief executives of the Company and/or any of their respective associates had the following interests and short positions 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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:

**Interest or short positions in the shares of the Company:**

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

**Notes:**

- KHHL is owned as to 20.0% by Ms. Chan Kit Lai, Cecilia (“**Ms. Chan**”) and as to 80.0% by The General Trust Company S.A. (“**the Trustee**”) on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Lam Ip Tin Wai Chyvette (“**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.*
- Pursuant to the Option Deeds (as defined in the Prospectus) 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 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).*
- 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 <sup>(Note 1)</sup>	Approximate percentage shareholding (%)
Mr. Ip	KHHL <sup>(Note 2)</sup>	Beneficiary of a trust	204 (L)	80.0
	I Corporation <sup>(Note 3)</sup>	Interest of spouse	14 (L)	20.0
Ms. Leung	Residence Motoki Investment Limited (“Residence”)	Beneficial owner	10 (L)	0.33
Mr. Chang	Residence	Beneficial owner	5 (L)	0.17

### Notes:

- The letter “L” denotes a long position in the shares of the Company.*
- 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.*
- 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 30 September 2017, 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 the period for the six months ended 30 September 2017 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 2017, 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 <sup>(Note 1)</sup>	Approximate percentage of the total issued share capital of the Company (%)
KHHL <sup>(Note 2)</sup>	Beneficial owner	600,000,000 (L)	75.0
		37,800,000 (S) <sup>(Note 3)</sup>	4.7
The Trustee	Trustee	600,000,000 (L)	75.0
		37,800,000 (S) <sup>(Note 3)</sup>	4.7
Ms. Chan <sup>(Note 2)</sup>	Founder of a discretionary trust	600,000,000 (L)	75.0
		37,800,000 (S) <sup>(Note 3)</sup>	4.7
Mr. Ip <sup>(Note 2)</sup>	Beneficiary of a trust	600,000,000 (L)	75.0
		37,800,000 (S) <sup>(Note 3)</sup>	4.7
Ms. Ip <sup>(Note 2)</sup>	Beneficiary of a trust	600,000,000 (L)	75.0
		37,800,000 (S) <sup>(Note 3)</sup>	4.7
Ms. Ho <sup>(Note 4)</sup>	Interest of spouse	600,000,000 (L)	75.0
		37,800,000 (S) <sup>(Note 3)</sup>	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.

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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 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 <sup>(Note)</sup>	Percentage of shareholding (%)
Ms. Ho	I Corporation	Beneficial owner	14 (L)	20.0
Mr. Henry Shih	Smart Tact Property Investment Limited	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 Rise Shinadori Investor Limited	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 2017, 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 2017, the Group had 29 staff (30 September 2016: 26) 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 our Group and are made with reference to those paid by comparable companies. Our 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 for six months ended 30 September 2017, no share options were granted by the Company and there was no share option outstanding under the share option scheme as at 30 September 2017.

## **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 the Rule 17.23 of the GEM Listing Rules, our major shareholders have not pledged of the shares of the Company.

From the date of listing on 17 October 2016, 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 in 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**”).

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

## **COMPETING INTERESTS**

As at 30 September 2017, 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 (“NS”), the compliance adviser of the Company, except for (i) NS participation as the sponsor in relation to the Company’s listing on GEM, and (ii) the compliance adviser agreement entered into between the Company and NS dated 8 April 2016, neither NS nor its directors, employees or 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 the six months ended 30 September 2016 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 of the Company are:

*Executive Directors:*

Mr. Arnold Ip 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**  
**Arnold Ip Tin Chee**  
*Chairman*

Hong Kong, 9 November 2017

*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>.*