Okura Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01655)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Gross pay-ins decreased by approximately 3.6% to approximately ¥36,368 million (FY 2017 (defined below): approximately ¥37,740 million).
- Revenue decreased by approximately 5.6% to approximately ¥8,719 million (FY 2017: approximately ¥9,238 million).
- Operating profit increased by approximately 48.7% to approximately ¥992 million (FY 2017: approximately ¥667 million).
- Profit before income tax increased by approximately 96.1% to approximately ¥857 million (FY 2017: approximately ¥437 million).
- Profit for the year attributable to the shareholders of the Company increased by approximately 176.2% to approximately ¥743 million (FY 2017: approximately ¥269 million).
- Basic and diluted earnings per share amounted to approximately ¥1.49 (FY 2017: approximately ¥0.69).
- The Board does not recommend the payment of a final dividend for the Year (defined below).

Notes: The above % increases and decreases refer to the change in respect of the Japanese Yen (“¥”) amounts.

The board (the "Board") of directors (the "Directors") of Okura Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 30 June 2018 (the "Year"), together with the comparative figures for the year ended 30 June 2017 ("FY 2017").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	**2018** ***¥ million***	**2017** *¥ million*
Revenue	4	**8,719**	9,238
Other income	5	**852**	1,086
Other losses, net	5	**(25)**	(8)
Hall operating expenses	6	**(8,414)**	(8,278)
Administrative and other operating expenses	6	**(140)**	(1,371)
Operating profit		**992**	667
Finance income		**14**	7
Finance costs		**(149)**	(237)
Finance costs, net	7	**(135)**	(230)
Profit before income tax		**857**	437
Income tax expense	8	**(114)**	(168)
Profit for the year attributable to shareholders of the Company		**743**	269
Earnings per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic	9	**1.49**	0.69
Diluted	9	**1.49**	0.69

	Note	**2018**	2017
		¥ million	*¥ million*
Profit for the year		**743**	269
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit retirement plans		**—**	1
(Reversal of)/remeasurement of long term benefit obligations		**(149)**	149
Change in fair value of equity investments at fair value through other comprehensive income		**4**	8
Deferred income tax arising from fair value change		**(1)**	(3)
		(146)	155
Total comprehensive income for the year attributable to shareholders of the Company		**597**	424

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	2018	2017
	¥ million	*¥ million*
Assets		
Non-current assets		
Property, plant and equipment	**10,671**	11,320
Investment properties	**2,296**	2,345
Intangible assets	**786**	805
Prepayments, deposits and other receivables	**751**	1,377
Financial assets at fair value through other comprehensive income	**47**	43
Financial assets at fair value through profit or loss	**82**	49
Deferred income tax assets	**621**	697
	15,254	16,636
Current assets		
Inventories	**137**	193
Prepayments, deposits and other receivables	**1,326**	1,131
Financial assets at fair value through profit or loss	**238**	177
Income tax recoverable	**32**	128
Short-term bank deposits	**100**	100
Cash and cash equivalents	**2,904**	3,272
	4,737	5,001
Total assets	**19,991**	21,637
Equity and liabilities		
Equity attributable to shareholders of the Company		
Share capital	**20,349**	20,349
Reserves	**(9,524)**	(10,121)
Total equity	**10,825**	10,228

	Note	**2018**	2017
		¥ million	*¥ million*
Liabilities			
Non-current liabilities			
Borrowings	11	**4,557**	4,393
Obligations under finance leases	13	**1,220**	2,913
Accruals, provisions and other payables		**348**	444
Employee benefit obligations		**81**	878
Deferred income tax liabilities		**455**	424
		6,661	9,052
Current liabilities			
Borrowings	11	**821**	827
Trade payables	12	**21**	23
Accruals, provisions and other payables		**1,343**	1,232
Obligations under finance leases	13	**314**	230
Current income tax liabilities		**6**	45
		2,505	2,357
Total liabilities		**9,166**	11,409
Total equity and liabilities		**19,991**	21,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

Okura Holdings Limited (the "Company") was established as a limited company in Hong Kong under the Hong Kong Companies Ordinance on 16 June 2015. The address of the Company's registered office is Level 11, Admiralty Centre Tower II, 18 Harcourt Road, Admiralty, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries comprising the Group (together, the "Group") are principally engaged in pachinko and pachislot hall operations (the "Business") in Japan.

On 28 April 2017, the Company issued a prospectus and launched an initial public offering of 125,000,000 shares offered at an offer price of HK$1.20 per share (the "Offer Price"). The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 May 2017.

The consolidated financial statements are presented in millions of Japanese Yen ("¥"), unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (the "IASB") and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and requirements of the Hong Kong Companies Ordinance Cap. 622. HKFRS is substantially consistent with IFRS and the accounting policy selections that the Group has made in preparing the consolidated financial statements are such that the Group is able to comply with both IFRS and HKFRS. Reference to IFRS, International Accounting Standards ("IAS") and Interpretations developed by the IFRS Interpretations Committee ("IFRIC") in the consolidated financial statements should be read as referring to the equivalent HKFRS, Hong Kong Accounting Standards ("HKAS") and Hong Kong (IFRIC) Interpretation ("HK(IFRIC)-Int") as the case may be. Accordingly, there are no differences of accounting practice between IFRS and HKFRS affecting the consolidated financial statements. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards adopted by the Group

The following improvements and amendments to standards are mandatory for the Group's financial years beginning on or after 1 July 2017:

IAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses
IAS 7 (Amendment)	Disclosure initiative
IFRS 12 (Amendement)	Disclosure of interest in other entities

(b) New standards, amendments to existing standards and interpretations not yet adopted by the Group

The following are new standards, amendments to existing standards and interpretations that have been published and are mandatory for the Group's financial years beginning on or after 1 July 2018, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
IAS 40 (Amendment)	Transfers of investment property	1 January 2018
IFRS 1 (Amendment)	First-time adoption of IFRS	1 January 2018
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 (Amendment)	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance contracts"	1 January 2018
IFRS 9 (Amendment)	Prepayment features with negative compensation	1 January 2019
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 15 (Amendment)	Clarifications to IFRS 15	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2021
IFRS 10 and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
IFRIC 22	Foreign currency transactions and advance consideration (new interpretation)	1 January 2018
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

IFRS 15 "Revenue from Contracts with Customers"— This new standard replaces the previous revenue standards: IAS 18 "Revenue" and IAS 11 "Construction Contracts", and the related Interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) Recognise revenue when performance obligation is satisfied. The core principle is that the Group should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset liability" approach based on transfer of control. IFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is in the process of assessing the effects of applying the new standard on the Group's financial statements and considered possible separate performance obligations in relation to revenue. Management is in the process of quantifying the potential effects on its financial statements.

IFRS 16 "Leases"– This new standard will result in operating leases being recognised on the consolidated statement of financial position, and the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The only exceptions are short-term and low-value leases.

The new standard is mandatory for financial years commencing on or after 1 January 2018. The related impacts of new and amended standards not yet effective on 1 January 2018 to the Group are currently under assessment and the Group is not yet in a position to state whether any substantial changes to the Group's significant policies and presentation of the financial information will result.

4 **Revenue and segment information**

(a) Revenue

	2018	2017
	¥million	*¥million*
Revenue		
Gross pay-ins	**36,368**	37,740
Less: gross pay-outs	**(28,112)**	(28,967)
Revenue from pachinko and pachislot hall business	**8,256**	8,773
Vending machine income	**135**	142
Property rental	**328**	323
	8,719	9,238

(b) **Segment information**

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker that are used for making strategic decisions. The chief operating decision maker is identified as the executive directors of the Group. The executive directors consider the business from a service perspective and assess the performance of the operating segments based on a measure of profit before income tax for the purposes of allocating resources and assessing performance. These reports are prepared on the same basis as the consolidated financial statements.

The management has identified two reportable segments based on the types of services, namely (i) pachinko and pachislot hall operation and (ii) property rental.

Segment assets consist primarily of property, plant and equipment, intangible assets, investment properties, inventories, prepayments, deposits and other receivables and cash and cash equivalents. They exclude deferred income tax assets and assets used for corporate functions including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Capital expenditure comprises additions to property, plant and equipment, investment properties and intangible assets. Income tax expenses are not included in segment results.

The segment information provided by the executive directors for the Year and FY 2017 are as follows:

	Year ended 30 June 2018		
	Pachinko and pachislot hall operation	**Property rental**	**Total**
	¥million	***¥million***	***¥million***
Segment revenue from external customers	**8,391**	**328**	**8,719**
Segment results	**716**	**141**	**857**
Profit before income tax			857
Income tax expense			(114)
Profit for the year			**743**
Other segment items			
Depreciation and amortisation	(698)	(52)	(750)
Finance income	13	1	14
Finance costs	(104)	(45)	(149)
Capital expenditures	(2,316)	—	(2,316)

	Year ended 30 June 2017		
	Pachinko and pachislot hall operation *¥million*	Property rental *¥million*	Total *¥million*
Segment revenue from external customers	8,915	323	9,238
Segment results	333	104	437
Profit before income tax			437
Income tax expense			(168)
Profit for the year			269
Other segment items			
Depreciation and amortisation	(666)	(52)	(718)
Finance income	7	—	7
Finance costs	(190)	(47)	(237)
Capital expenditures	(3,703)	—	(3,703)

The segment assets as at 30 June 2018 and 2017 are as follows:

	Pachinko and pachislot hall operation ***¥million***	**Property rental** ***¥million***	**Total** ***¥million***
As at 30 June 2018			
Segment assets	**13,536**	**2,433**	**15,969**
Unallocated assets			3,034
Financial assets at fair value through profit or loss			320
Financial assets at fair value through other comprehensive income			47
Deferred income tax assets			621
Total assets			**19,991**

	Pachinko and pachislot hall operation *¥million*	Property rental *¥million*	Total *¥million*
As at 30 June 2017			
Segment assets	14,557	2,465	17,022
Unallocated assets			3,649
Financial assets at fair value through profit or loss			226
Financial assets at fair value through other comprehensive income			43
Deferred income tax assets			697
Total assets			21,637

There is no single external customer contributed more than 10% revenue to the Group's revenue for the Year and FY 2017.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2018 and 2017 are located in Japan.

5 Other income and other losses, net

	2018 ***¥million***	2017 *¥million*
Other income		
Income from scrap sales of used pachinko machines	**783**	1,019
Rental income from staff quarters	**1**	2
Dividend income	**1**	5
Income from expired IC card	**9**	9
Income from forfeited unustilised ball	**34**	1
Others	**24**	50
	852	1,086
Other losses, net		
Compensation for early termination of operating lease	**(98)**	—
Exchange losses, net	**(9)**	(48)
Losses on disposal of property, plant and equipment and intangible assets, net	**(465)**	(44)
(Losses)/gains on fair value change on financial assets at fair value through profit or loss	**(5)**	82
Gain on disposal of assets held under finance lease	**531**	—
Recovery from insurance companies	**15**	4
Others	**6**	(2)
	(25)	(8)

6 Hall operating expenses and administrative and other operating expenses

	2018	2017
	¥million	*¥million*
Pachinko and pachislot machines expenses (Note)	**3,724**	3,409
Auditor's remuneration		
– Audit services	**54**	35
– Non-audit services	**7**	13
Employee benefits expenses		
– Hall operating expenses	**1,059**	1,067
– Administrative and other operating expenses	**(440)**	455
Operating lease rental expense in respect of land and buildings	**1,169**	1,181
Depreciation and amortisation	**750**	718
Advertising and promotion expenses	**491**	447
Equipment and consumables costs	**155**	189
Reversal of impairment loss of property, plant and equipment	**(169)**	—
Reversal of provision for reinstatement	**(37)**	—
Repairs and maintenance	**189**	190
Other taxes and duties	**152**	126
Outsourcing service expenses	**240**	336
Utilities expenses	**389**	348
G-prize procurement expenses to wholesalers	**226**	224
Legal and professional fees	**159**	39
Listing expenses	**—**	370
Travel expenses	**48**	48
Insurance fee	**18**	30
Others	**370**	424
	8,554	9,649

Note: Pachinko and pachislot machines are expensed off in the consolidated statement of comprehensive income upon installation. The expected useful lives of these machines are less than one year.

7 Finance costs, net

	2018	2017
	¥million	*¥million*
Finance income		
Interest income	**7**	—
Interest from debt securities	**7**	7
	14	7
Finance costs		
Obligations under finance leases	**(64)**	(183)
Bank borrowings interest expenses	**(77)**	(47)
Bond interest expenses	**(1)**	(2)
Others	**(7)**	(5)
	(149)	(237)
Finance costs, net	**(135)**	(230)

8 Income tax expense

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Year and FY 2017.

Japan corporate income tax has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in Japan in which the Group operates.

	2018	2017
	¥million	*¥million*
Current income tax		
– Japan corporate income tax	**8**	88
Deferred income tax	**106**	80
	114	168

9 Earnings per share

Basic earnings per share for the Year and FY 2017 are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the Year used to calculate the basic earnings per share includes 8,000,000 ordinary shares issued on 16 June 2015, 367,000,000 bonus issue of ordinary shares issued on 15 May 2017 and 125,000,000 ordinary shares offered to the public issued on 15 May 2017 as if the shares had been in issue throughout the Year.

	2018	2017
Profit attributable to shareholders of the Company (¥million)	**743**	269
Weighted average number of ordinary shares in issue (million) (Note)	**500**	391
Basic and diluted earnings per share (¥)	**1.49**	0.69

Note:

The weighted average number of ordinary shares in issue during FY 2017 used to calculate the basic earnings per share includes 8,000,000 ordinary shares issued on 16 June 2015 and 367,000,000 bonus issue of ordinary shares issued on 15 May 2017 as if the shares had been in issue throughout FY 2017 and 125,000,000 ordinary shares offered to the public issued on 15 May 2017.

No diluted earnings per share is presented as there was no potential dilutive share during the Year and FY 2017. Diluted earnings per share is equal to the basic earnings per share.

10 Dividends

The board of directors did not recommend the payment of any dividend for the Year (2017: Nil).

11 Borrowings

	2018	2017
	¥million	*¥million*
Non-current portion		
Bank loans	**4,557**	4,363
Bonds	**—**	30
	4,557	4,393
Current portion		
Bank loans	**791**	767
Bonds	**30**	60
	821	827
Total borrowings	**5,378**	5,220

As at 30 June 2018 and 2017, the Group's borrowings were repayable as follows:

	2018	2017
	¥million	*¥million*
Within 1 year	**821**	827
Between 1 and 2 years	**746**	781
Between 2 and 5 years	**1,971**	1,984
Over 5 years	**1,840**	1,628
	5,378	5,220

The average effective interest rates (per annum) at 30 June 2018 and 2017 were set out as follows:

	2018	2017
Bank loans	**1.31%**	1.40%
Bonds	**1.10%**	1.08%

As at 30 June 2018 and 2017, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2018	2017
	¥million	*¥million*
Property, plant and equipment	**7,342**	6,186
Investment properties	**712**	644
Financial assets at fair value through other comprehensive income - listed equity securities	**41**	38
	8,095	6,868

No borrowings were guaranteed by the directors as at 30 June 2018 and 2017.

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2018 and 2017 and are denominated in Japanese Yen.

During the Year and FY 2017, details of bonds issued by the Group are as follows:

Issue date	**Principal amount**	**Interest rate**	**Due date**
	¥million		
31 July 2013	300	6 months TIBOR	31 July 2018

12 Trade payables

The ageing analysis of the trade payables based on invoice dates as at 30 June 2018 and 2017 are as follows:

	2018	2017
	¥million	*¥million*
Less than 30 days	**21**	23

The carrying amounts of trade payables approximate their fair values as at 30 June 2018 and 2017 and are denominated in Japanese Yen.

13 Obligations under finance leases

	2018	2017
	¥million	*¥million*
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	**365**	404
Later than 1 year and no later than 2 years	**350**	408
Later than 2 years and no later than 5 years	**338**	1,185
Later than 5 years	**1,082**	2,488
	2,135	4,485
Future finance charges on finance leases	**(601)**	(1,342)
Present values of finance lease liabilities	**1,534**	3,143

The present value of finance lease liabilities is as follows:

	2018	2017
	¥million	*¥million*
No later than 1 year	**314**	230
Later than 1 year and no later than 2 years	**304**	247
Later than 2 years and no later than 5 years	**216**	780
Later than 5 years	**700**	1,886
Total finance lease liabilities	**1,534**	3,143
Less: Amount included in current liabilities	**(314)**	(230)
Non-current portion	**1,220**	2,913

Assets arranged under finance leases represent buildings and equipment for pachinko and pachislot halls and investment properties. The average lease term is 6 years (2017: 13 years) with effective interest rate of 3.55% (2017: 5.78%) per annum as at 30 June 2018.

As at 30 June 2018, the finance lease under sales and leaseback arrangements with third party lessors amounted to ¥725 million (2017: ¥235 million). These sales and leaseback arrangements included sell of certain leasehold improvements and equipment and tools at an aggregate consideration of ¥952 million and lease-back to the Group for a total lease payment of ¥957 million covering periods from 36 months to 60 months.

14 Subsequent events

On 26 July 2018, Okura Holdings Limited subscribed for two series of Bonds at face value to be issued by Sinwa Co., Ltd., a company engaged in the business of commercial and consumer finance, in an aggregate amount of ¥1,000 million. The subscription is expected to allow the Group to capture foreign exchange gains and to earn a higher yield. The financial effects of the subscription have not been recognised at 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry and business review

We are a pachinko hall operator in Japan, operating mainly pachinko and pachislot machines. As at 30 June 2018, we operated 17 (FY 2017: 18) pachinko halls under the trading names “Big Apple.”, “K’s Plaza”, “Big Apple. YOUPARK” and “Monaco”.

As disclosed in the Group’s interim report for the six months ended 31 December 2017, the pachinko and pachislot industry had continued to be affected by the continuous decline in pachinko and pachislot players during the Year. Other forms of entertainment in Japan, such as horse racing, web-based gaming and online social gaming continued to draw players away from pachinko halls. The “Regulations to Partially Amend Regulations on the Entertainment and Amusement Trades Rationalising Act and Regulations on Certifying Machines and Conducting Type Test on Machines” issued by the National Public Safety of Japan on 1 February 2018 (the “2018 Regulations”), which further limited the gaming element of both pachinko and pachislot machines, further reduced the attractiveness of the game and hence reduced customer traffic. According to an independent market research report relating to the latest pachinko industry movement issued in February 2018 by Yano Research Institute Limited, a private market research and consulting firm independent of the Company, there were fewer popular pachinko machine titles released in 2017, which we believe was caused by the lower gaming atmosphere of the industry. As a result, pachinko hall operators’ selection of machines were limited by the machines available in the market.

Against such background, both our flagship pachinko hall, which commenced operations in September 2017 in Nagasaki (the “BA. Dejima Hall”), and our first pachinko hall in Chugoku region, which commenced operations in December 2016 (the “BA. Shunan Hall”), had a much disappointing first year of operations than what we had expected. Another of our pachinko halls in the Kanto region (the “Kanto Hall”) also faced significant loss of customer traffic as a result of predatory pricing campaigns launched by a local competitor. As a result, the Group’s revenue decreased from ¥9,238 million for FY 2017 to ¥8,719 million for the Year, which represents a decrease of approximately 5.6%.

Streamlining our operations

In response to the challenging competitive landscape, the Group had continued streamlining its operations to focus its resources on maintaining our customer base and increasing our market share in the long run. During the Year, we merged Okura Kyushu Co., Ltd.* (王蔵九州株式会社) (“Okura Kyushu”), one of our former indirect wholly-owned subsidiaries, with Okura Co., Ltd.* (王蔵株式会社) (“Okura Japan”), one of our indirectly wholly-owned subsidiaries, to streamline the Group’s operations in early 2018. For details, please refer to the Company’s announcement dated 1 February 2018. In addition, we closed down a pachinko hall we used to operate in Furukomachi, Nagasaki-shi (the “BA. Nagasaki Hall”) in February 2018, and another one in Nishi-kamata, Ota-ku of Tokyo (the “BA. Kamata Hall”) in April 2018, having considered the BA. Nagasaki Hall’s immaterial contribution to the Group’s financial performance as a whole and the BA. Kamata Hall’s deteriorating recent performances and competitive landscape in the nearby areas since the last quarter of 2017. We also disposed of the properties that used to house the BA. Nagasaki Hall for which we recorded a gain of approximately ¥2 million.

While our management actively reviewed and streamlined the Group's operations during the Year, we acquired a property in Motofunamachi, Nagasaki, where we house one of our more profitable pachinko halls (the "Ohato Property") to secure the premises for operating such hall, reduce our exposure to the rental market, and generate additional income from leasing excess floor areas as the management sees fit. For details, please refer to the Company's announcement dated 6 July 2017. Furthermore, to counteract overall changes in the market, we temporarily closed down three pachinko halls for one month to upgrade the facilities and adjust the machine mix in July 2017. Although such temporary closure had contributed to the decrease of our revenue during the Year, the improved playing environment and optimised mix of pachinko machines in these halls had resulted in steady increase in customer traffic since August 2017. Our management strongly believes the long-term benefits associating with these strategies out-weight the interim decrease in revenue.

Market threats and prospects

The longstanding declining trend and the intensifying competition of the pachinko industry in Japan presents both threats and opportunities for our business. Adverse regulatory environment, including the 2018 Regulations, had undoubtedly reduced the attractiveness of pachinko and pachislot machines and the profitability of our operations in the first half of the Year. However, the impact of the 2018 Regulations subsided over the course of the second half of the Year with our management's responsiveness in improving the playing environment of our halls and optimizing our machine mix to cater for the changing market preferences. Together with our effort in streamlining our operations, our financial performance had stabilised in the second half of the Year and our profit before income tax improved from ¥437 million for FY 2017 to ¥857 million for the Year.

There is no certainty as to how the Japan government and the industry associations will further regulate the pachinko and pachislot industry and the competition from other forms of entertainment is expected to intensify. That said, our management has closely monitored market changes and is determined to enhance operation efficiency and capture market consolidation opportunities that come along. With our streamlined operation structure and responsive management style, we are confident in weathering through short-term volatilities and continue expanding our operations in a sustainable manner.

FINANCIAL REVIEW

Revenue

Our total revenue comprised revenue from (i) pachinko and pachislot business, being gross pay-ins less gross pay-outs, (ii) vending machine income, and (iii) property rental. During the Year, revenue from pachinko and pachislot business remained the majority source of income for the Company, accounting for 94.7% of the total revenue (FY 2017: 95.0%). Our total revenue decreased by 5.6%, from ¥9,238 million for FY 2017, to ¥8,719 million for the Year. This decrease was mainly a result of the decrease in 5.9% in revenue generated from our overall pachinko and pachislot business, from ¥8,773 million for FY 2017 to ¥8,256 million for the Year. The decrease in revenue from pachinko and pachislot business was primarily due to (i) the temporary closure of three pachinko halls (including the BA. Shunan Hall) for facilities upgrade and changing of machine mix in July 2017 together with low customer traffic immediately subsequent to the reopening of such halls, (ii) the loss of business resulting from predatory pricing campaign from a local competitor operating in the vicinity of the Kanto Hall, and (iii) the closure of the BA. Nagasaki Hall and the BA. Kamata Hall in February 2018 and April 2018, respectively.

We derived income from vending machines installed at our halls provided by vending machine operators under service agreements. The vending machines sell drinks and food and we share a certain portion of income generated by such vending machines. Our vending machine income decreased from ¥142 million, or 4.9%, for FY 2017 to ¥135 million for the Year, primarily due to a result of decrease in customer traffic.

We derived rental income from renting out (i) premises to G-prize wholesalers, (ii) car parks, (iii) offices and (iv) residential units. Property rental income increased from ¥323 million, or 1.5%, for FY 2017 to ¥328 million for the Year, due to the increase in occupancy rate of rental property and the utilisation rate of pay-by-the-hour car parks.

Gross pay-ins

Our gross pay-ins represents gross amount received from customers for rental of pachinko balls and pachislot tokens. Gross pay-ins is primarily affected by the level of customer spending at our halls, which is in turn largely affected by (i) G-prize mark-ups, (ii) pay-out ratios, (iii) number, types and mixes of machines, (iv) number and types of halls, (v) number, playing time and preferences of customers, (vi) competitors' behaviour and the general trend of the pachinko industry, and (vii) macroeconomic factors (including tax and inflation). Our accounting policy recognises gross pay-ins net of consumption tax. The consumption tax rate is 8% in Japan.

Our gross pay-ins recorded a decrease of ¥1,372 million, or 3.6%, from ¥37,740 million for FY 2017 to ¥36,368 million for the Year, which was mainly due to the aforementioned reasons.

Gross pay-outs

Our gross pay-outs represent the aggregate cost of G-prizes and general prizes exchanged by our customers, taking into consideration the G-prize mark-up and the value of any unutilised balls and tokens during the relevant period. Gross pay-outs recorded a decrease of ¥855 million, or 3.0%, from ¥28,967 million in FY 2017 to ¥28,112 million in the Year as a result of the decrease in customer traffic as reflected by the drop in gross pay-ins for the reasons above.

Revenue margin

The level of revenue margin is dependent on the combination of the payout ratio of the pachinko and pachislot machines, the G-prize mark-up imposed and the mix of pachinko and pachislot machines with different jackpot probability in our halls, and as a result of the resultant changes in customer behavior (i.e. rounds of play and machine utilisation). Our revenue margin worsened slightly from 23.2% in FY 2017 to 22.7% in the Year as we strategically increased the pay-out ratio of machines at certain pachinko halls to attract higher customer traffic.

Other income

Our other income mainly comprised (i) income from scrap sales of used pachinko machines to machines broker for reselling in the second-hand market, (ii) dividend income from our investments, (iii) income from expired IC card, and (iv) other income sources, which mainly included income from forfeited pachinko balls and pachislot tokens.

Other income decreased from ¥1,086 million, or 21.5%, for FY 2017 to ¥852 million for the Year, mainly due to a decrease in income from scrap sales of used pachinko machines from ¥1,019 million for FY 2017 to ¥783 million for the Year, which resulted from the reduced volume of machines replacement with the closure of the BA. Kamata Hall and the BA. Nagasaki Hall.

Hall operating expenses

Hall operating expenses increased by ¥136 million, or 1.6%, from ¥8,278 million in FY 2017 to ¥8,414 million in the Year. This is primarily due to (i) the costs of opening the BA. Dejima Hall in September 2017, (ii) the renovation cost of three pachinko halls and (iii) the off-setting effect of the reversal of impairment loss of property, plant and equipment which amounted to ¥169 million in connection with the disposal of the properties that housed the BA. Nagasaki Hall.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥1,231 million, or 89.8%, from ¥1,371 million in FY 2017 to ¥140 million in the Year. This is primarily due to (i) the absence of listing expenses for the Year, which amounted to ¥370 million for FY 2017, (ii) the reversal of provision for long-term benefit obligations for the Yamamoto Family which amounted to ¥947 million for the Year as a result of an amendment in the retirement plans in December 2017.

Profit before income tax

Profit before income tax increased by ¥420 million, or 96.1%, from ¥437 million in FY 2017 to ¥857 million in the Year. This is mainly attributable to (i) the decrease in administrative and other operating expenses as aforementioned, (ii) the decrease in finance costs, net of ¥95 million as a result of reduced obligations under finance lease upon the completion of the acquisition of the Ohato Property, which were previously subject to finance lease arrangements, such impact was partially of set by (iii) the increase in hall operating expenses and decrease in revenue and other income as aforementioned.

Profit for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company increased by ¥474 million, or 176.2%, from ¥269 million in FY 2017 to ¥743 million in the Year. The increase in profit for the Year was mainly due to the increase in profit before income tax as aforementioned and the decrease in income tax expenses of ¥54 million, as compared with FY 2017.

ANALYSIS OF FINANCIAL POSITION

LIQUIDITY AND FINANCIAL RESOURCES

The Company's primary uses of cash are for the payment of hall operating expenses, staff costs, various operating expenses, fund and repayments of our interest and principal of bank borrowings and capital expenditure. These have been funded through a combination of cash generated from operations and borrowings.

Investment policy

We adopted a treasury and investment policy for financial assets that set out overall principles as well as detailed approval processes of our investment activities. Such policy includes, amongst other things, the following:

- investments in low liquidity products being avoided;
- investments should be yield-earning in nature and the primary objectives of investment activities is to diversify our investment and control their risk;
- investments should be undertaken only in situations where we have surplus cash not required for short or medium term of use; and
- investments should be undertaken only to the extent that adequate liquid capital is maintained.

Our finance division is responsible for the initial assessment and analysis on the expected benefit and potential risk of our investment activities and compiling of relevant data and information from banks. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to, our short and medium-term cash requirement, the market conditions, the economic developments, the anticipated investment conditions, the investment cost, the duration of the investment and the expected benefit and potential loss of the investment.

For any investments, formal approval must be obtained from the Board before the execution or disposal of any investment. Our finance division is also responsible for reporting the status of our investment activities to our Directors regularly. The report should include the total investment return.

Capital structure

As at 30 June 2018, the Company had total borrowings of ¥5,378 million (30 June 2017: ¥5,220 million), of which 99.4% represented bank borrowings and 0.6% represented bonds.

Cash and cash equivalents

As at 30 June 2018, the Company had cash and cash equivalents of ¥2,904 million (30 June 2017: ¥3,272 million).

Borrowings

The following table illustrates the maturity profile of the Group's borrowings:

	As at 30 June 2018		**As at 30 June 2017**	
	¥ million	***%***	*¥ million*	*%*
Within 1 year	**821**	**15.3%**	827	15.8%
Between 1 year and 2 years	**746**	**13.9%**	781	15.0%
Between 2 years and 5 years	**1,971**	**36.6%**	1,984	38.0%
Over 5 years	**1,840**	**34.2%**	1,628	31.2%
	5,378	**100.0%**	5,220	100.0%

As illustrated above, the proportion of our borrowings repayable within 1 year decreased, while the proportion of our borrowings repayable in over 5 years increased. The change of maturity profile of our borrowings was primarily attributed to the substantial increase in borrowings taken by the Group for the capital expenditures and expenses in relation to the opening of BA. Dejima hall in Nagasaki in September 2017 and the acquisition of the Ohato Property in July 2017, which are mostly financed by long-term loans.

Bonds

The value of the outstanding bond issued by the Group as at 30 June 2018 amounts to ¥30 million (30 June 2017: ¥90 million). This relates to the bond which was issued in July 2013. No new debenture was issued during the Year.

Pledged assets

As at 30 June 2018, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of ¥8,095 million (30 June 2017: ¥6,868 million) to secure certain general banking facilities of the Group. The increase in pledged assets was primarily attributable to the increase in secured bank borrowings for the capital expenditure relating to the opening of BA. Dejima Hall and the acquisition of all the beneficiary rights associated with the Ohato Property.

Gearing ratio

The gearing ratio, being the aggregate of interest-bearing loans and obligations under finance leases divided by total equity of the Company, was 27.0% as at 30 June 2018 (30 June 2017: 33.2%). The decrease of 6.2% was mainly attributable to the decrease of our finance lease obligations as a result of the acquisition of the Ohato Property as aforementioned.

Interest rate and foreign exchange exposure

We are exposed to interest rate risk as our bank balances and some of our bank borrowings are carried at variable rates. We manage our interest rate exposure with a focus on reducing our overall cost of debt and exposure to changes in interest rates. During the Year, the Group did not use any hedge instrument or interest rate swap to manage its interest rate exposure.

We operate in Japan and our business transactions are principally denominated in Japanese Yen. However, we are exposed to foreign exchange risk arising primarily from the transactions in its cash and cash equivalents, deposits, financial assets and accruals, provisions and other payables denominated in United States Dollars. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. Our finance division monitors our foreign exchange fluctuation exposure closely. In light of the continued fluctuation of Japanese Yen against United States Dollars in recent years, we have managed to minimise our exposures in United States Dollars by maintaining a majority of the cash and bank balances into Japanese Yen. As at 30 June 2018, the Directors consider the volatility of the exchange rate of Japanese Yen against United States Dollars and our currency exposures of United States Dollars to be acceptable. During the Year, we did not use any hedge instrument to manage our foreign currency exposure.

Contractual and capital commitments

As both lessees and lessors, the Group had future aggregate minimum lease payments and lease receipts under non-cancellable operating leases as follows:

	As a lessee As at 30 June		As a lessor As at 30 June	
	2018	2017	**2018**	2017
	¥ million		***¥ million***	
No later than 1 year	**932**	1,081	**66**	65
Later than one year and no later than five years	**17**	17	**—**	—
Over five years	**34**	38	**—**	—

As at 30 June 2018, the Group had capital commitments, which were contracted but not provided for, in respect of purchase of property, plant and equipment in the sum of ¥3 million (30 June 2017: ¥43 million).

Capital expenditures

Our capital expenditures mainly consisted of expenditures on acquisitions of property, plant and equipment for its operations. The Group incurred capital expenditures of approximately ¥2,316 million for the Year (FY 2017: ¥3,703 million), majority of which came from freehold land, buildings, leasehold improvements and equipment and tools for our pachinko halls of which ¥536 million was settled under finance lease. The capital expenditure was mainly incurred for acquisition of the Ohato Property which was completed in August 2017. These capital expenditures were financed by secured bank borrowings.

Contingent liabilities

As at 30 June 2018, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2018, the Group held significant investments primarily in investment properties of ¥2,296 million, which represented buildings and carparks situated in Japan and rented out under operating lease, and financial assets of ¥367 million, which represented bonds, trust funds, and listed and unlisted securities.

In relation to our investment properties, impairment loss will be recognised by the Group where the valuation results indicate that the carrying amount of the investment properties exceed its recoverable amount. No impairment loss was recognised during the Year and as at the date of this announcement, our Directors do not foresee any significant impairment loss to our investment properties in the near future.

In relation to our financial assets, the Group recorded (i) a loss of ¥5 million for the changes from financial assets at fair value through profit or loss, (ii) and a gain of ¥4 million for the changes in fair values of financial assets at fair value through other comprehensive income, and there has been no default or any impairment made to any debt securities held by the Group, during the Year. Although changes in market conditions will continue to result in fair value gains or losses from financial assets, our Directors are of the view that the investment in financial assets will help to increase the average yield earned from the excess funds from our business overall. To the best of their knowledge and as at the date of this announcement, our Directors do not foresee any default or any impairment to be made to any financial assets held by the Group.

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES

On 6 July 2017, K's Property Co., Ltd., an indirectly wholly-owned subsidiary of the Company ("K's Property"), entered into an acquisition agreement pursuant to which, K's Property, as the purchaser, agreed to purchase and Orix Corporation ("Orix"), as the vendor, agreed to sell all the beneficiary rights associated with the land and the building erected on the land situated at Lot 14-41, Motofunamachi, Nagasaki City, Japan, at a consideration of ¥1,477,360,000, including tax. Such acquisition completed on 9 August 2018. Orix is an independent third party (as defined in the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) of the Company. For details, please refer to the Company's announcement dated 6 July 2017.

Effective on 1 January 2018, Okura Kyushu, a former subsidiary indirectly wholly-owned by the Company, was merged with Okura Japan, a subsidiary indirectly wholly-owned by the Company, and Okura Japan survives and remains a wholly-owned subsidiary of the Company while Okura Kyushu was absorbed and dissolved upon completion of the merger. For details, please refer to the Company's announcement dated 1 February 2018.

On 28 March 2018, Okura Japan, an indirectly wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Suzuki Motor Corporation ("Suzuki"), an independent third party (as defined in the Listing Rules) pursuant to which Okura Japan agreed to sell and Suzuki agreed to purchase the property situated in Furukomachi, Nagasaki-shi, Japan, at a consideration of ¥430 million (equivalent to approximately HKD30.1 million), including tax. For details, please refer to the Company's announcement dated 28 March 2018.

On 15 April 2018, the BA. Kamata Hall was closed down. For details, please refer to the Company's announcement dated 16 April 2018.

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2018, the Group had 541 employees, almost all of whom were based in Japan, and of whom 475 were stationed at our pachinko halls. For newly recruited employees, we prepared a series of training sessions which mainly focuses on pachinko hall operations and customer service. Upon appointment of every three years, as required by the Public Safety Commission, each hall manager is required to attend the training course conducted by the Public Safety Commission.

The staff costs include all salaries and benefits payable to our employees and staff, including our Directors. The total staff costs for the Year amounted to ¥619 million (FY 2017: ¥1,522 million), which accounted for approximately 7.2% (FY 2017: 15.8%) of the total operating expenses, including the remuneration of our Directors.

The Company's policy concerning the remuneration of our Directors and employees is that the amount of remuneration is determined on the basis of the relevant Director's or employee's experience, responsibility, performance and the time devoted to our business.

Apart from basic remuneration, share options may be granted to individual Directors and employees under the share option scheme (the "Share Option Scheme") adopted by our Company on 10 April 2017, by reference to their performance.

The Share Option Scheme

On 10 April 2017, the Company adopted the Share Option Scheme. The principal terms of the Share Option Scheme were summarised in the paragraph headed "Statutory and General Information — F. Share Option Scheme" in Appendix VI to the prospectus of the Company (the "Prospectus").

The purpose of the Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

Since the adoption of the Share Option Scheme, and up to the date of this announcement, no option was granted exercised, cancelled or lapsed under the Share Option Scheme.

ISSUE OF SHARES AND USE OF PROCEEDS

On 15 May 2017, our shares (the "Shares") were listed on the Main Board of the Stock Exchange. A total of 125,000,000 Shares were issued at HK$1.20 each by way of public offer and placing, raising a total of approximately HK$150 million (the "Share Offer"). The net proceeds raised by the Company from the Share Offer, after deduction of the underwriting commissions and other related listing expenses, amounted to approximately HK$74.0 million. The following table sets forth (i) the intended utilisation of such net proceeds as disclosed in the Prospectus and the Company's announcement dated 12 May 2017 (the "Allotment Result Announcement") and (ii) the actual utilisation of such proceeds as at the date of this announcement:

	Intended utilisation of net proceeds as disclosed in the Prospectus and Allotment Result Announcement		Actual utilisation of net proceeds as at the date of this announcement	
	Amount (HK$ million)	% of net proceeds	Amount (HK$ million)	% of net proceeds
Establishing the new pachinko hall in the Kyushu region:				
Machine procurement	20.4	27.6	20.4	27.6
Renovation	3.7	5.0	3.7	5.0
Pachinko related facilities	11.1	15.0	11.1	15.0
Promotional expenses	1.8	2.4	1.8	2.4
Renovating and enhancing facilities for six pachinko halls	29.6	40.0	10.4	14.1
Working capital and other general corporate purposes	7.4	10.0	—	—
	74.0	100.0	47.4	64.1

The remaining 35.9% of the net proceeds from the Share Offer have been deposited in interest-bearing accounts with a licensed bank in Hong Kong. Our Directors expect to continue utilise the net proceeds from the Share Offer in accordance with the related disclosure in the Prospectus and the Allotment Result Announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

On 26 July 2018, the Company entered into two agreements with Sinwa Co., Ltd.* (株式会社しんわ) (the "Bond Issuer"), pursuant to which the Company has agreed to subscribe for two series of bonds at face value to be issued by the Bond Issuer, in an aggregate amount of ¥1,000 million. Completion of the subscription of such bonds took place on 27 July 2018. For details, please refer to the Company's announcement dated 26 July 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL INVESTMENTS

Save for those disclosed in this announcement and the Prospectus, the Group has no plan authorised by the Board for other material investments or additions of capital assets as at the date of this announcement.

FINAL DIVIDEND

No final dividend for the Year has been recommended by the Board.

SCOPE OF WORK OF THE COMPANY'S EXTERNAL AUDITOR

The financial data in respect of this results announcement of the Group's results for the Year have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by the auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the auditor on this preliminary results announcement.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee, together with the Board and its external auditor, had reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the Year.

CORPORATE GOVERNANCE

Our Directors considered that the Company has applied the principles of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Listing Rules and complied with the code provisions, where applicable, during the Year as set out in the CG Code, except for the following deviation:

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. For the Group, Mr. Katsuya Yamamoto holds both of such positions. Mr. Katsuya Yamamoto has been primarily responsible for overseeing the Group's general management and business development of the Group and for formulating business strategies and policies for our business management and operations since the Group was founded in 1984. Taking into account the continuation of management and the implementation of our business strategies, our Directors (including our independent non-executive Directors) consider that it is suitable for Mr. Katsuya Yamamoto to hold both of the positions of chief executive officer and the chairman of the Board, and the present arrangements are beneficial to and in the interests of the Company and our shareholders as a whole.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF "NON-STATUTORY ACCOUNTS" UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The unaudited financial information relating to the Year and the financial information relating to FY 2017 included in this preliminary announcement of annual results of 2017/2018 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of FY 2017, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the "Companies Ordinance") is as follows:

The financial statements for the Year have yet to be reported on by the Company's auditor and will be delivered to the Registrar of Companies in due course. The Company had delivered the financial statements for FY 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on these financial statements for FY 2017. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Companies Ordinance.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standards for securities transactions by our Directors. Specific enquiries have been made to all our Directors and all Directors have confirmed that they had complied with the required standards, where applicable, set out in the Model Code for the year ended 30 June 2018.

ANNUAL GENERAL MEETING

The Company will hold its annual general meeting on 20 November 2018 (the "2018 AGM"), the notice of which will be published and despatched to our shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Thursday, 15 November 2018 to Tuesday, 20 November 2018 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2018 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 14 November 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.okura-holdings.com. The annual report of the Company for the Year will be despatched to our shareholders and published on the aforesaid websites in due course.

By Order of the Board
Okura Holdings Limited
Katsuya YAMAMOTO
Chief Executive Officer, Executive Director and
Chairman of the Board

Hong Kong, 26 September 2018

* *For identification purpose only*

As at the date of this announcement, the Board comprises seven Directors, of which (i) four are executive Directors, namely Mr. Katsuya YAMAMOTO, Mr. Fumihide HAMADA, Mr. Yutaka KAGAWA and Mr. Toshiro OE; and (ii) three are independent non-executive Directors, namely Mr. Mitsuru ISHII, Mr. Yuji MATSUZAKI and Mr. Takamasa KAWASAKI.