Okura Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01655)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Gross pay-ins decreased by approximately 12.2% to approximately ¥37,740 million (FY 2016 (defined below): approximately ¥42,988 million).
- Revenue decreased by approximately 8.5% to approximately ¥9,238 million (FY 2016: approximately ¥10,098 million).
- Operating profit decreased by approximately 46.7% to approximately ¥667 million (FY 2016: approximately ¥1,252 million).
- Profit before income tax decreased by approximately 57.5% to approximately ¥437 million (FY 2016: approximately ¥1,028 million).
- Profit for the year attributable to the shareholders of the Company decreased by approximately 55.5% to approximately ¥269 million (FY 2016: approximately ¥604 million).
- Basic and diluted earnings per share amounted to approximately ¥1 (FY 2016: approximately ¥2).
- The board of directors 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 2017 (the "Year"), together with the comparative figures for the year ended 30 June 2016 ("FY 2016").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	**2017**	2016
		¥million	*¥million*
Revenue	4	**9,238**	10,098
Other income	5	**1,086**	819
Other losses, net	5	**(8)**	(131)
Hall operating expenses	6	**(8,278)**	(8,129)
Administrative and other operating expenses	6	**(1,371)**	(1,405)
Operating profit		**667**	1,252
Finance income		**7**	25
Finance costs		**(237)**	(249)
Finance costs, net	7	**(230)**	(224)
Profit before income tax		**437**	1,028
Income tax expense	8	**(168)**	(424)
Profit for the year attributable to shareholders of the Company		**269**	604
Earnings per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic	9	**1**	2
Diluted	9	**1**	2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	2017	2016
	¥million	*¥million*
Profit for the year	**269**	604
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit retirement plans	**1**	(1)
Remeasurement of long term benefit obligations	**149**	—
Change in fair value of equity investments at fair value through other comprehensive income	**8**	(33)
Deferred income tax arising from fair value change	**(3)**	24
	155	(10)
Total comprehensive income for the year attributable to shareholders of the Company	**424**	594

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	2017	2016
	¥million	*¥million*
Assets		
Non-current assets		
Property, plant and equipment	**11,320**	8,304
Investment properties	**2,345**	2,394
Intangible assets	**805**	831
Prepayments, deposits and other receivables	**1,377**	1,751
Financial assets at fair value through other comprehensive income	**43**	38
Financial assets at fair value through profit or loss	**49**	34
Deferred income tax assets	**697**	762
	16,636	14,114
Current assets		
Inventories	**193**	101
Prepayments, deposits and other receivables	**1,131**	515
Financial assets at fair value through profit or loss	**177**	225
Income tax recoverable	**128**	445
Short-term bank deposits	**100**	100
Cash and cash equivalents	**3,272**	1,354
	5,001	2,740
Total assets	**21,637**	16,854
Equity and liabilities		
Equity attributable to shareholders of the Company		
Share capital	**20,349**	11,968
Reserves	**(10,121)**	(4,138)
Total equity	**10,228**	7,830

	Note	**2017**	2016
		¥million	*¥million*
Liabilities			
Non-current liabilities			
Borrowings	12	**4,393**	1,769
Obligations under finance leases	13	**2,913**	2,917
Accruals, provisions and other payables		**444**	422
Employee benefit obligations		**878**	1,087
Deferred income tax liabilities		**424**	406
		9,052	6,601
Current liabilities			
Borrowings	12	**827**	953
Trade payables	11	**23**	23
Accruals, provisions and other payables		**1,232**	1,180
Amount due to a related party		**—**	1
Obligations under finance leases	13	**230**	171
Current income tax liabilities		**45**	95
		2,357	2,423
Total liabilities		**11,409**	9,024
Total equity and liabilities		**21,637**	16,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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 Group are principally engaged in pachinko and pachislot hall operations (the "Business") in Japan.

On 28 April 2017, the Company issued a prospectus (the "Prospectus") and launched an initial public offering of 125,000,000 ordinary shares in the Company offered at an offer price of HK$1.20 per share (the "Offer Price"). The 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 ¥, 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 2016:

IAS 1 (Amendment)	Disclosure initiative
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
IAS 16 and IAS 41 (Amendment)	Agriculture: bearer plants
IAS 27 (Amendment)	Equity method in separate financial statements
IFRS 10, IFRS 12 and IAS 28 (Amendment)	Investment entities: applying the consolidation exception
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
IFRS 14 (Amendment)	Regulatory deferral accounts
Annual Improvements Project	Annual improvements 2012-2014 cycle

(b) New standards early adopted by the Group

IFRS 9 is mandatorily effective for annual periods beginning on or after 1 July 2018. The Group decided to early adopt IFRS 9 (2014) from 1 July 2011, being its date of transition to IFRS.

The complete version of IFRS 9 replaces the guidance in IAS 39. IFRS 9 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The incurred loss impairment model used in IAS 39 has been replaced by an expected credit loss model, with the result that a loss event will no longer need to occur before an impairment allowance is recognised. Debt instruments and equity investments are subsequently measured at fair value through profit or loss. However, at initial recognition, the Group is permitted to make an irrecoverable election (on an instrument-by-instrument basis) to present in other comprehensive income subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination. For those elected equity investments, there is no subsequent reclassification of fair value gains and losses to consolidated statement of comprehensive income. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. Management assesses that the expected credit loss model has no material impact noted. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

There are no changes to classification and measurement of financial liabilities. Hedge accounting under IFRS 9 requires an economic relationship between the hedged item and hedging instrument and for the hedged ratio to be the same as the one used by an entity's management for risk management purposes. This replaces the hedge effectiveness test under the current standard. The Group did not apply hedge accounting for the Year.

(c) New standards and amendments to existing standards not yet adopted by the Group

The following are standards and amendments to existing standards that have been published and are mandatory for the Group's financial years beginning on or after 1 July 2016, but have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
IAS 7 (Amendment)	Disclosure initiative	1 January 2017
IAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
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 12 (Amendment)	Disclosure of interest in other entities	1 January 2017
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 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 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 a company 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 company expects to be entitled in exchange for those goods or services. Revenue recognition model under the new standard moves away from risks and rewards approach to transfer of control approach. 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 impact of the application of IFRS 15 and based on its preliminary assessment, does not expect the adoption would have a material impact to the Group's results of operations and financial position. The new standard is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

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 standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of ¥1,136 million, The Group is in the process of assessing the impact of the application of IFRS 16 and based on its preliminary assessment, it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. Management is in the process of making an assessment on the impact of these standards and amendments to existing IFRS and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

4 Revenue and segment information

(a) Revenue

	2017 ***¥million***	2016 *¥million*
Revenue		
Gross pay-ins	**37,740**	42,988
Less: gross pay-outs	**(28,967)**	(33,311)
Revenue from pachinko and pachislot hall business	**8,773**	9,677
Vending machine income	**142**	147
Property rental	**323**	265
Revenue from other operations	**—**	9
	9,238	10,098

(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 Company. 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 three reportable segments based on the types of services, namely (i) pachinko and pachislot hall operation; (ii) property rental; and (iii) others.

Segment assets consist primarily of property, plant and equipment, 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 expenditures comprise additions to property, plant and equipment, investment properties and intangible assets. Income tax expenses are not included in segment results.

The segment information provided to the executive directors for the Year and year ended 30 June 2016 are as follows:

	Year ended 30 June 2017			
	Pachinko and pachislot hall operation *¥million*	**Property rental** *¥million*	**Others** *¥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)

	Year ended 30 June 2016			
	Pachinko and pachislot hall operation *¥million*	Property rental *¥million*	Others *¥million*	Total *¥million*
Segment revenue from external customers	9,824	265	9	10,098
Segment results	1,250	92	(314)	1,028
Profit before income tax				1,028
Income tax expense				(424)
Profit for the year				604
Other segment items				
Depreciation and amortisation	(644)	(54)	(22)	(720)
Finance income	24	1	—	25
Finance costs	(197)	(49)	(3)	(249)
Impairment loss on property, plant and equipment	(19)	—	—	(19)
Capital expenditures	(252)	—	—	(252)

The segment assets as at 30 June 2017 and 2016 are as follows:

	Pachinko and pachislot hall operation ***¥million***	**Property rental** ***¥million***	**Others** ***¥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**

	Pachinko and pachislot hall operation *¥million*	Property rental *¥million*	Others *¥million*	Total *¥million*
As at 30 June 2016				
Segment assets	**12,041**	**2,657**	**133**	**14,831**
Unallocated assets				964
Financial assets at fair value through profit or loss				259
Financial assets at fair value through other comprehensive income				38
Deferred income tax assets				762
Total assets				**16,854**

There is no single external customer contributed more than 10% revenue to the Group's revenue for the Year and year ended 30 June 2016.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2017 and 2016 are located in Japan.

5 Other income and other losses, net

	2017 ***¥million***	2016 *¥million*
Other income		
Income from scrap sales of used pachinko machines	**1,019**	735
Rental income from staff quarters	**2**	2
Dividend income	**5**	18
Income from expired IC card	**9**	10
Others	**51**	54
	1,086	819
Other losses, net		
Exchange losses, net	**(48)**	(26)
Losses on disposal of property, plant and equipment and intangible assets, net	**(44)**	(42)
Gains/(losses) on fair value change on financial assets at fair value through profit or loss	**82**	(109)
Recovery from insurance companies	**4**	56
Others	**(2)**	(10)
	(8)	(131)

6 Hall operating expenses and administrative and other operating expenses

	2017	2016
	¥million	*¥million*
Pachinko and pachislot machines expenses (Note)	**3,409**	3,330
Auditor's remuneration		
- Audit services	**35**	—
- Non-audit services	**13**	—
Employee benefits expenses		
- Hall operating expenses	**1,067**	983
- Administrative and other operating expenses	**455**	606
Operating lease rental expense in respect of land and buildings	**1,181**	1,104
Depreciation and amortisation	**718**	720
Advertising and promotion expenses	**447**	446
Equipment and consumables costs	**189**	205
Impairment loss of property, plant and equipment	**—**	19
Repairs and maintenance	**190**	172
Other taxes and duties	**126**	128
Outsourcing service expenses	**336**	423
Utilities expenses	**348**	346
G-prize procurement expenses to wholesalers	**224**	221
Legal and professional fees	**39**	52
Listing expenses	**370**	379
Travel expenses	**48**	48
Insurance fee	**30**	30
Others	**424**	322
	9,649	9,534

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

	2017	2016
	¥million	*¥million*
Finance income		
Interest income	**—**	21
Interest from debt securities	**7**	4
	7	25
Finance costs		
Obligations under finance leases	**(183)**	(193)
Bank borrowings interest expenses	**(47)**	(47)
Bond interest expenses	**(2)**	(3)
Others	**(5)**	(6)
	(237)	(249)
Finance costs, net	**(230)**	(224)

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 year ended 30 June 2016.

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.

	2017	2016
	¥million	*¥million*
Current income tax		
- Japan corporate income tax	**88**	542
Deferred income tax	**80**	(118)
	168	424

9 Earnings per share

Basic earnings per share for the Year and 2016 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 shares includes 8,000,000 ordinary shares issued on 16 June 2015, 367,000,000 bonus issue of ordinary shares issued on 15 May 2017 as if the shares had been in issue throughout the Year and 125,000,000 ordinary shares offered to the public issued on 15 May 2017.

	2017	2016
Profit attributable to shareholders of the Company (¥million)	**269**	604
Weighted average number of ordinary shares in issue (million) (Note)	**391**	375
Basic and diluted earnings per share (¥)	**1**	2

Note:

The weighted average number of ordinary shares in issue during the year ended 30 June 2016 used to calculate the basic earnings per shares 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 the year ended 30 June 2016.

No diluted earnings per share is presented as there was no potential dilutive share during the Year and year ended 30 June 2016. Diluted earnings per share is equal to the basic earnings per share.

10 Dividends

The Board did not recommend the payment of dividend for the Year (2016: ¥592.5 per ordinary share, totaling ¥4,740 million).

	2017	2016
	¥million	*¥million*
Proposed final dividend of ¥Nil (2016: ¥592.5) per ordinary share	**—**	4,740

11 Trade payables

The ageing analysis of the trade payables based on invoice dates as at 30 June 2017 and 2016 were as follows:

	2017	2016
	¥million	*¥million*
Less than 30 days	**23**	23

The carrying amounts of trade payables approximate their fair values as at 30 June 2017 and 2016 and are denominated in Japanese Yen.

12 Borrowings

	2017	2016
	¥million	*¥million*
Non-current portion		
Bank loans	**4,363**	1,680
Bonds	**30**	89
	4,393	1,769
Current portion		
Bank loans	**767**	893
Bonds	**60**	60
	827	953
Total borrowings	**5,220**	2,722

As at 30 June 2017 and 2016, the Group's borrowings were repayable as follows:

	2017	2016
	¥million	*¥million*
Within 1 year	**827**	953
Between 1 and 2 years	**781**	452
Between 2 and 5 years	**1,984**	955
Over 5 years	**1,628**	362
	5,220	2,722

The average effective interest rates (per annum) at 30 June 2017 and 2016 were set out as follows:

	2017	2016
Bank loans	**1.40%**	1.44%
Bonds	**1.08%**	1.23%

As at 30 June 2017 and 2016, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2017	2016
	¥million	*¥million*
Property, plant and equipment	**6,186**	3,258
Investment properties	**644**	651
Financial assets at fair value through other comprehensive income - listed equity securities	**38**	32
	6,868	3,941

No borrowings were guaranteed by the Directors as at 30 June 2017 and 2016.

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2017 and 2016 and are denominated in Japanese Yen.

During the Year and year ended 30 June 2016, details of bonds issued by the Group are as follows:

Issue date	**Principal amount** *¥million*	**Interest rate**	**Due date**
31 March 2011	200	6 months TIBOR	31 March 2016
31 July 2013	300	6 months TIBOR	31 July 2018

13 Obligations under finance leases

	2017	2016
	¥million	*¥million*
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	**404**	354
Later than 1 year and no later than 2 years	**408**	354
Later than 2 years and no later than 5 years	**1,185**	1,061
Later than 5 years	**2,488**	2,838
	4,485	4,607
Future finance charges on finance leases	**(1,342)**	(1,519)
Present values of finance lease liabilities	**3,143**	3,088

The present value of finance lease liabilities is as follows:

	2017	2016
	¥million	*¥million*
No later than 1 year	**230**	171
Later than 1 year and no later than 2 years	**247**	182
Later than 2 years and no later than 5 years	**780**	618
Later than 5 years	**1,886**	2,117
Total finance lease liabilities	**3,143**	3,088
Less: Amount included in current liabilities	**(230)**	(171)
Non-current portion	**2,913**	2,917

Assets arranged under finance leases represent buildings for pachinko and pachislot halls and investment properties. The average lease term is 13 years (2016: 18 years) with effective interest rate of 5.78% (2016: 6.23%) per annum as at 30 June 2017.

14 Subsequent events

On 6 July 2017, an indirectly wholly-owned subsidiary of the Company entered into an acquisition agreement with Orix Corporation to purchase all the beneficiary rights associated with a parcel of land with a six-storey building erected on the land in Nagasaki for a consideration of ¥1,477,360,000, including tax.

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 2017, we operated 18 pachinko halls under the trading names "Big Apple.", "K's Plaza", "Big Apple", "Big Apple. YOUPARK" and "Monaco".

During the Year, the pachinko and pachislot industry had been affected by the continuous decline in pachinko and pachislot players with more forms of entertainment, such as horse racing, web-based gaming, online social gaming through mobile phones or other mobile entertainment services and potentially interactive gaming channels available in the market. Such continued decline is reflected by the Group's continued decrease in gross pay-ins and revenue from ¥42,988 million and ¥10,098 million, respectively, for the year ended 30 June 2016 to ¥37,740 million and ¥9,238 million, respectively, for the Year.

In addition, the Association for Pachinko Machine Manufacturers in Japan (the "Association") published announcements in the first half of 2016 (the "2016 Announcements") to enforce certain amended voluntary regulations (the "Amended Voluntary Regulations") as part of the pachinko industry's effort to curb the gaming element in the pachinko and pachislot game and to mandate a reduction in jackpot size of pachinko machines and pay-out ratios of pachislot machines. Pursuant to the 2016 Announcements, a collection of 138 types of machines were required to be withdrawn from pachinko halls, and more than 700,000 machines were withdrawn from the market by the end of December 2016. The aforesaid withdrawal and the resulting replacement of machines in our pachinko halls gave rise to an increase in the amount of pachinko and pachislot machines expenses incurred from ¥3,330 million for FY 2016 to ¥3,409 million for the Year.

Together with the establishment of the new Chugoku hall as further detailed below, our hall operating expenses increased from ¥8,129 million for the year ended 30 June 2016 to ¥8,278 million for the Year.

The new Chugoku hall, being our first pachinko hall in the Chugoku region, operates a total of 642 machines, of which 372 are pachinko machines and 270 are pachislot machines. While the Group had to recognise significant machine expenses in the Year, the Group had gradually built up customer traffic for the Chugoku Hall. Since its opening, the Chugoku Hall had recorded stable growth in revenue and had strengthened our presence outside the Kyushu region.

In addition to the new Chugoku Hall, we acquired a property at a prime locataion for pachinko hall operations in Nagasaki in February 2017 to establish a new flagship hall. This new Nagasaki hall is expected to be one of the largest pachinko halls in the centre of Nagasaki, our headquarter and largest base of operations. As disclosed in our Prospectus, our Directors had expected that the new Nagasaki hall to commence operations in the third quarter of 2017. As at the date of this announcement, the new Nagasaki hall is expected to commence operations by the end of September 2017. We also expect the hall to house approximately 670 pachinko and pachislot machines. Our experience is that a new large scale pachinko hall generally draws in strong customer awareness and players who habitually visit small scale pachinko halls in the surrounding area, and thereby strengthen our corporate image in the area. As such, our Directors expect the new Nagasaki hall to contribute to our business results and consolidate our position as the market leader in the Nagasaki prefecture significantly from October 2017 onwards.

The aforesaid factors, together with the listing expenses incurred during the Year for the listing of our ordinary shares (the "Shares") on the Main Board of the Stock Exchange (the "Listing"), resulted in a decrease in profit before income tax from approximately ¥1,028 million for the year ended 30 June 2016 to approximately ¥437 million for the Year. Excluding the non-recurring listing expenses of approximately ¥370 million (FY 2016: ¥379 million), the Group's profit before income tax would be approximately ¥807 million for the Year (FY 2016: ¥1,407 million).

Despite the deterioration in financial performance during the Year, we remain prudently optimistic about the long term growth potential of the Group amidst the current industry-wide transition in light of our proven management capability and the market consolidation opportunities in the contracting markets of the pachinko industry in Japan as further detailed below. Our Shares were successfully listed on the Main Board of the Stock Exchange on 15 May 2017 and the net proceeds from such Listing totalled approximately HK$74.0 million. We intend to apply such proceeds to facilitate our growth through business expansion and acquisition.

Market Threats and Prospects

The pachinko industry in Japan has been contracting since 2005 due to the increasing competition from other forms of entertainment in Japan and the introduction of measures by the pachinko industry to curb the gaming element in the pachinko and pachislot games. In December 2016, the Act Concerning Promotion of Development of Integrated Resort Areas (the "IR Act") was passed into law by the Japanese parliament, the Japanese National Diet. Although the IR Act does not on its own legalise casino operations in Japan, the Japanese government is required to implement anti-gambling measures to curb gambling and associated negative social behaviour.

In August 2017, the National Public Safety Commission issued the "Draft Regulations to Amend Partially Regulations on the Entertainment and Amusement Trades Rationalizing Act and Regulations on Certifying Machines and Conducting Type Test on Machines" (the "2018 Draft Regulation"). According to the 2018 Draft Regulation, the pay-out ability of both pachinko and pachislot machines will be further limited, and the market expects such regulation to be passed and implemented by February 2018 with little change to its current draft. As a result, it is likely that the attractiveness of the pachinko and pachislot machines to customers, especially young customers, and the profitability of the operation of such machines will be adversely affected from February 2018 onwards. Coupled with the continued immense competition of other forms of entertainment and the continuing aging population, the market contraction of the pachinko industry is expected to continue and profitability of pachinko hall operation may further deteriorate in the near future.

Pachinko hall operators in Japan had, over the past 10 years, installed a higher proportion of low playing costs machines given the general popularity with such machines among customers. In light of the 2018 Draft Regulation, which is likely to further reduce pay-out ratio and attractiveness of low playing costs machines, certain hall operators, including the Group, has, since August 2017, begun adjusting its business strategies to increase the proportion of high playing costs machines at strategically selected halls to maintain customer traffic, where customers prefer playing with machines with higher gaming element. For instance, the Group currently expects to install a higher proportion of high playing costs machines in the new Nagasaki hall to enhance customer traffic in the long run.

Furthermore, in light of the continued market contraction, our management has, in line with our multi-strategy approvals of enhancing customer experience, been constantly reviewing the performance of each individual hall, as well as the growth potential or market saturation risks of various geographical regions. For instance, we are closely monitoring the performance of our pachinko halls in Tokyo, which competition has intensified recently with more notable adverse impact on profitability when compared to our pachinko halls in other regions. Our management has conducted operational review and will implement measures necessary to improve the performance of such halls. Our halls in Nagasaki, on the other hand, have on an overall basis demonstrated more promising performance. Our management will undertake further studies to align its business strategies in terms of regional spread to ensure the Group can capture market opportunities in the most effective and profitable manner.

Although the pachinko industry continues to face significant threats, it remains as the largest contributor to the Japanese entertainment market in terms of market share while highly fragmented. This continues to present consolidation opportunities for larger market players. For instance, any further enforcement of the Amended Voluntary Regulations and the constantly changing market trends and customer preference on machine types and playing costs are likely to demand that pachinko hall operators replace machines more frequently and strategically. The expenses in relation to machine replacement are burdensome for small-sized pachinko hall operators operating less than 15 halls (the "Small-sized Pachinko Hall Operators") as most of these halls do not have the financial resources to enable frequent machine replacement. Thus the pachinko industry remains relatively favourable for mid-sized pachinko hall operators operating 15 to 19 halls (the "Mid-sized Pachinko Hall Operators") and large-sized pachinko hall operators operating 20 halls or more (the "Large-sized Pachinko Hall Operators") as they may further develop their business by absorbing the market share of Small-sized Pachinko Hall Operators. Together with our enhanced equity base and public credibility following the Listing, we are optimistic that we can continue to tap into the potential acquisition opportunities of Small-sized Pachinko Hall Operators to achieve economies of scale in operations. Furthermore, as long as our management remains responsive to the changes and flexible in adjusting our strategies to ensure our operations remain efficient and the mix of machines types in each of our halls remain optimal for each operating location, our Directors reasonably believe that we can operate and expand our business sustainably notwithstanding the continued contraction of the pachinko industry and the competition with other forms of entertainment in Japan.

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 95.0% of the total revenue (FY 2016: 95.8%). Our total revenue decreased by 8.5%, from ¥10,098 million for the year ended 30 June 2016, to ¥9,238 million for the Year. This decrease was mainly a result of the decrease in 9.3% in revenue generated from our overall pachinko and pachislot business, from ¥9,677 million for the year ended 30 June 2016 to ¥8,773 million for the Year. The decrease in revenue from pachinko and pachislot business was primarily due to (i) a reduced number of pachinko and pachislot machines installed in our halls and hence a reduced amount of gross pay-ins as we subleased certain areas of one of our halls to an independent third party for operation of an internet café, and (ii) imposition of G-prize mark-up for our certain halls which stalled customer traffic as a result.

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 ¥147 million, or 3.4%, for the year ended 30 June 2016 to ¥142 million for the Year, due to a result of decrease in customer traffic.

We derived rental income from renting out car parks, offices, and premises to G-prize wholesalers or G-prize buyers within the vicinity of our halls. Property rental income increased from ¥265 million, or 21.9%, for the year ended 30 June 2016 to ¥323 million for the Year, due to an increase in rental income generated from subleasing certain areas of one of our halls to an independent third party for operation of an internet café.

We had historically derived income from household support services provided to independent third parties, which we had ceased to provide since April 2016. Consequently, no such revenue was recorded for the Year, as compared to ¥9 million for the year ended 30 June 2016.

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 ¥5,248 million, or 12.2%, from ¥42,988 million for the year ended 30 June 2016 to ¥37,740 million for the Year, which was mainly due to (i) changes in the machines composition for two of our pachinko halls, whereby high playing cost machines were replaced by low playing cost machines in line with our general operating strategy in 2016, (ii) reduced number of pachinko and pachislot machines as we subleased certain areas of one of our pachinko halls to an independent third party for operation of an internet cafe, and (iii) imposition of G-prize mark-up from nil to a range mark-ups, ranging from 10.0% to 25.0%, for 13 of our halls.

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 prize mark-up and the value of any unutilised balls and tokens during the relevant period. Gross pay-outs recorded a decrease of ¥4,344 million, or 13.0%, from ¥33,311 million in the year ended 30 June 2016 to ¥28,967 million in the Year as a result of the imposition of G-prize mark-up as aforesaid which reduced pay-out levels and the decrease in customer visits which led to lower utilisation of pachinko and pachislot machines.

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). We adjust these parameters from time to time to strike a balance between revenue margin and customer traffic subject to the prevailing market response and players' preference, with a view to maximise revenue and profitability. Our revenue margin improved slightly from 22.5% in the year ended 30 June 2016 to 23.2% in the Year, mainly as a result of imposition of G-prize mark-up which reduced pay-out level as aforementioned.

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) rental income from staff quarters, (iii) dividend income from our investments, (iv) income from expired IC card, and (v) other income sources, which mainly included income from forfeited pachinko balls and pachislot tokens.

Other income increased from ¥819 million, or 32.6%, for the year ended 30 June 2016 to ¥1,086 million for the Year, due to an increase in income from scrap sales of used pachinko machines from ¥735 million for the year ended 30 June 2016 to ¥1,019 million for the Year. Such increase was resulted from the sale of an increased number of pachinko and pachislot machines in preparation of the renewal of several halls for reopening in the third quarter of 2017.

Hall Operating Expenses

Hall operating expenses increased by ¥149 million, or 1.8%, from ¥8,129 million in the year ended 30 June 2016 to ¥8,278 million in the Year. This is primarily due to expenses incurred for the preparation of the opening of the Chugoku Hall in December 2016, in addition to the usual machine replacement expenses we incur in our ordinary course of business in response to, among other things, changing customers' preference.

Administrative and other operating expenses

Administrative and other operating expenses decreased by ¥34 million, or 2.4%, from ¥1,405 million in the year ended 30 June 2016 to ¥1,371 million in the Year. This is primarily due to the decrease of the employee benefit obligations as partially offset by the increase of, among other things, auditor's remuneration for audit and non-audit services.

Profit before income tax

Profit before income tax decreased by ¥591 million, or 57.5%, from ¥1,028 million in the year ended 30 June 2016 to ¥437 million in the Year. This is mainly attributable to the decrease in revenue and increase in hall operating expenses for the reasons set out above. Excluding the non-recurring listing expenses of ¥370 million (FY 2016: ¥379 million), the Group's profit before income tax would be approximately ¥807 million for the Year (FY 2016: ¥1,407 million).

Profit for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company decreased by ¥335 million, or 55.5%, from ¥604 million in the year ended 30 June 2016 to ¥269 million in the Year. The decrease in profit for the Year was mainly due to, among other things, (i) the decrease in revenue of approximately ¥860 million, and (ii) the increase in hall operating expenses of ¥149 million as offset by (a) the increase of other income of ¥267 million, (b) the decrease in administrative and other operating expenses of ¥34 million, and (c) decrease in income tax expenses of ¥256 million, as compared with year ended 30 June 2016.

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 2017, the Company had a total borrowings of ¥5,220 million (30 June 2016: ¥2,722 million), of which 98.3% represented bank borrowings and 1.7% represented bonds.

Cash and Cash Equivalents

As at 30 June 2017, the Company had a cash and cash equivalents of ¥3,272 million (30 June 2016: ¥1,354 million).

Borrowings

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

	As at 30 June 2017		As at 30 June 2016	
	¥ million	**%**	¥ million	%
Within 1 year	**827**	**15.8%**	953	35.0%
Between 1 year and 2 years	**781**	**15.0%**	452	16.6%
Between 2 years and 5 years	**1,984**	**38.0%**	955	35.1%
Over 5 years	**1,628**	**31.2%**	362	13.3%
	5,220	**100.0%**	2,722	100.0%

As illustrated above, the proportion of our borrowings repayable within 1 year decreased significantly, while the proportion of our borrowings repayable in over 5 years increased significantly. 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 establishment of the new Chugoku Hall and the new Nagasaki Hall during the Year, which are mostly long term loans.

Bonds

The value of outstanding bonds issued by the Group as at 30 June 2017 amounts to ¥90 million (30 June 2016: ¥149 million). As disclosed in the Prospectus, these relate to bonds which were issued in March 2011 and July 2013. No new debentures were issued during the Year.

Pledged Assets

As at 30 June 2017, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of ¥6,868 million (30 June 2016: ¥3,941 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 acquisition of property for the new Nagasaki hall, which was completed in February 2017. For further details, please see note 12 to the consolidated financial statements set out in this announcement.

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 81.8% as at 30 June 2017 (30 June 2016: 74.2%). The increase of 7.6% was mainly attributable to the increase in bank borrowing for the acquisition of the property for the new Nagasaki hall which was completed in February 2017.

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 2017, the Directors considers 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**	
	2017	2016	**2017**	2016
	¥ million		¥ million	
No later than 1 year	**1,081**	722	**65**	65
Later than one year and no later than five years	**17**	17	**—**	—
Over five years	**38**	43	**—**	—

As at 30 June 2017, 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 ¥43 million (30 June 2016: ¥9 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 ¥3,703 million for the Year (Year ended 30 June 2016: ¥252 million), majority of which came from freehold land, buildings, leasehold improvements and equipment and tools for our pachinko halls of which ¥243 million was settled under finance lease. The increased capital expenditure was mainly incurred for the establishment of the new Chugoku hall and the new Nagasaki hall. These capital expenditures were, and expected to be principally financed through the net proceeds we received from the Share Offer (defined below), cash generated from its operations and bank borrowings.

Contingent Liabilities

As at 30 June 2017, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2017, the Group held significant investments primarily in investment properties of ¥2,345 million, which represented buildings and carparks situated in Japan and rented out under operating lease, and financial assets of ¥269 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 gain of ¥82 million for the changes from financial assets at fair value through profit or loss, (ii) and a gain of ¥8 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 28 February 2017, Okura Co., Ltd (王蔵株式会社) ("Okura Japan"), a wholly-owned subsidiary of the Company completed the acquisition of Okura Kyushu Co., Ltd (王蔵九州株式会社) ("Okura Kyushu"), whereby Okura Japan purchased all issued shares in Okura Kyushu for a consideration of ¥3,086,252,720, which was determined in a bidding process with reference to, among other things, our valuation of the property held by Okura Kyushu in Nagasaki, Kyushu (the "Nagasaki Property"). It was intended that the Nagasaki Property will be developed into a new flagship pachinko hall in Nagasaki. All issued shares of Okura Kyushu became legally and beneficially owned as to 100% by Okura Japan on 28 February 2017.

HUMAN RESOURCES

Employees and Remuneration Policies

As at 30 June 2017, the Group had 519 employees, almost all of whom were based in Japan, and of whom 472 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 ¥1,522 million (FY 2016: ¥1,589 million), which accounted for approximately 15.8% (FY 2016: 16.7%) of the total operating expenses, including the remuneration of directors.

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

The Share Option Scheme

On 10 April 2017, the Company adopted a share option scheme (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.

The purpose of the Share Option Scheme is to provide the Company 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 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 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"):

	Amount (HK$ million)	% of net proceeds
Establishing the new pachinko hall in the Kyushu region:		
Machine procurement	20.4	27.6
Renovation	3.7	5.0
Pachinko related facilities	11.1	15.0
Promotional expenses	1.8	2.4
Renovating and enhancing facilities for six pachinko halls	29.6	40.0
Working capital and other general corporate purposes	7.4	10.0

For details, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus and Allotment Result Announcement. As at 30 June 2017, such net proceeds had not been utilised. 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 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

Since the date of the Listing and up to 30 June 2017, 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 6 July 2017, an indirectly wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement with Orix Corporation (the "Vendor"), pursuant to which the Purchaser has agreed to purchase and Vendor has 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 million (equivalent to approximately HK$103 million). Completion of this acquisition took place on 9 August 2017.

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 Rules Governing the Listing of Securities on the Stock Exchange (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 our Group, Mr. Katsuya Yamamoto holds both of such positions. Mr. Katsuya Yamamoto has been primarily responsible for overseeing our Group's general management and business development of our Group and for formulating business strategies and policies for our business management and operations since our 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 our 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 the year ended 30 June 2016 included in this preliminary announcement of annual results of 2016/2017 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of the year ended 30 June 2016, 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 ended 30 June 2017 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 the year ended 30 June 2016 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 the year ended 30 June 2016. 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

Our 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 have complied with the required standards, where applicable, set out in the Model Code since the date of the Listing and up to 30 June 2017.

ANNUAL GENERAL MEETING

The Company will hold its annual general meeting on 20 November 2017 (the "2017 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 2017 AGM, the register of members of the Company will be closed from Wednesday, 15 November 2017 to Monday, 20 November 2017 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2017 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 Tuesday, 14 November 2017.

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, 20 September 2017

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.