Okura Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01655)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Gross pay-ins decreased by approximately 2.2% to approximately ¥35,567 million (FY2018 (defined below): approximately ¥36,368 million).
- Revenue decreased by approximately 6.4% to approximately ¥8,157 million (FY2018: approximately ¥8,719 million).
- Operating profit increased by approximately 6.1% to approximately ¥1,053 million (FY2018: approximately ¥992 million).
- Profit before income tax increased by approximately 15.4% to approximately ¥989 million (FY2018: approximately ¥857 million).
- Profit for the year attributable to the shareholders of the Company decreased by approximately 19.1% to approximately ¥601 million (FY2018: approximately ¥743 million).
- Basic and diluted earnings per share amounted to approximately ¥1.2 (FY2018: approximately ¥1.49).
- The Board does not recommend the payment of a final dividend for the Year (defined below).

Note: 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 2019 (the "**Year**" or "**FY2019**"), together with the comparative figures for the year ended 30 June 2018 ("**FY2018**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	**2019** ***¥ million***	2018 *¥ million*
Revenue	4	**8,157**	8,719
Other income	5	**603**	852
Other losses, net	5	**(7)**	(25)
Hall operating expenses	6	**(6,798)**	(8,414)
Administrative and other operating expenses	6	**(902)**	(140)
Operating profit		**1,053**	992
Finance income		**54**	14
Finance costs		**(118)**	(149)
Finance costs, net	7	**(64)**	(135)
Profit before income tax		**989**	857
Income tax expense	8	**(388)**	(114)
Profit for the year attributable to shareholders of the Company		**601**	743
Earnings per share attributable to shareholders of the Company for the year (expressed in ¥ per share)			
Basic	9	**1.20**	1.49
Diluted	9	**1.20**	1.49

	Note	**2019**	2018
		¥ million	*¥ million*
Profit for the year		**601**	743
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss			
Reversal of remeasurement of long term benefit obligations		**—**	(149)
Change in fair value of equity investments at fair value through other comprehensive income		**(13)**	4
Deferred income tax arising from fair value change		**4**	(1)
		(9)	(146)
Total comprehensive income for the year attributable to shareholders of the Company		**592**	597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	2019	2018
	¥ million	*¥ million*
Assets		
Non-current assets		
Property, plant and equipment	**10,376**	10,671
Investment properties	**2,279**	2,296
Intangible assets	**768**	786
Prepayments, deposits and other receivables	**810**	751
Financial assets held at amortised cost	**500**	—
Financial assets at fair value through other comprehensive income	**33**	47
Financial assets at fair value through profit or loss	**62**	82
Deferred income tax assets	**430**	621
	15,258	15,254
Current assets		
Inventories	**71**	137
Prepayments, deposits and other receivables	**700**	1,326
Financial assets held at amortised cost	**500**	—
Financial assets at fair value through profit or loss	**514**	238
Income tax recoverable	**9**	32
Short-term bank deposits	**100**	100
Cash and cash equivalents	**2,565**	2,904
	4,459	4,737
Total assets	**19,717**	19,991
Equity and liabilities		
Equity attributable to shareholders of the Company		
Share capital	**20,349**	20,349
Reserves	**(8,932)**	(9,524)
Total equity	**11,417**	10,825

	Note	**2019**	2018
		¥ million	*¥ million*
Liabilities			
Non-current liabilities			
Borrowings	11	**3,802**	4,557
Obligations under finance leases	13	**924**	1,220
Accruals, provisions and other payables		**352**	348
Financial liabilities at fair value through profit or loss		**4**	—
Employee benefit obligations		**116**	81
Deferred income tax liabilities		**485**	455
		5,683	6,661
Current liabilities			
Borrowings	11	**730**	821
Trade payables	12	**26**	21
Accruals, provisions and other payables		**1,191**	1,343
Amount due to a related party		**213**	—
Obligations under finance leases	13	**303**	314
Current income tax liabilities		**154**	6
		2,617	2,505
Total liabilities		**8,300**	9,166
Total equity and liabilities		**19,717**	19,991

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.

The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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. The financial statements are for the Group consisting of the Company and its subsidiaries.

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 preparation of consolidated financial statements in conformity with IFRS and 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.

(i) Compliance with IFRS and HKFRS and Hong Kong Companies Ordinance

The consolidated financial statements have been prepared in accordance with IFRS and HKFRS and requirements of the Hong Kong Companies Ordinance Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) which are carried at fair values.

(iii) New standards and amendments to existing standards adopted by the Group

The following new standards and amendments to existing standards have been issued and are effective for annual periods beginning on 1 July 2018:

IAS 28 (Amendments)	Investments in associates and joint ventures
IAS 40 (Amendment)	Transfers of investment property
IFRS 1 (Amendment)	First-time adoption of IFRS
IFRS 2 (Amendment)	Classification and measurement of share-based payment transactions
IFRS 4 (Amendment)	Applying IFRS 9 Financial Instrument with IFRS 4 Insurance Contract
IFRS 15	Revenue from contracts with customers
IFRS 15 (Amendment)	Clarification to IFRS 15
IFRIC 22	Foreign currency transactions and advance consideration

The impact of the adoption of IFRS 15 is disclosed below. The other new or amended standards did not have any material impact on the Group's accounting policies.

Adoption of IFRS 15, "Revenue from contracts with customers"

The Group has adopted IFRS 15 from 1 July 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in IFRS 15, the Group has adopted the modified retrospective approach and comparative figures have not been restated.

The accounting policies were changed to comply with IFRS 15. IFRS 15 replaces the provision of IAS 18 "Revenue" and IAS 11 "Construction Contracts" that relate to the recognition, classification and measurement of revenue and costs.

The effect of the adoption of IFRS 15 is related to presentation of contract liabilities within "Accruals, provisions and other payables" recognised in the consolidated statement of financial position as at 1 July 2018 to be consistent with the terminology used under IFRS 15:

— Contract liabilities recognised for unutilised balls and tokens was previously presented within "Accruals, provisions and other payables".

The adoption of IFRS 15 has no material impact to the Group's net assets as at 30 June 2018 and the consolidated results, earnings per share (basic and diluted) and consolidated statement of cash flows for the year ended 30 June 2019.

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

The following are new standards and amendments to existing standards that have been published and are relevant and mandatory for the Group's accounting periods beginning on or after 1 July 2019 or later periods, but have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

		Effective for accounting periods beginning on or after
Annual Improvements to IFRS	Annual improvements 2015–2017 Cycle	1 January 2019
IAS 19 (Amendments)	Employee Benefits	1 January 2019
IAS 28 (Amendments)	Long-term interests in associates and joint ventures	1 January 2019
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	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

The impact of the adoption of IFRS 16 is disclosed below.

Adoption of IFRS 16 "Leases"

IFRS 16 provides new provision for the accounting treatment of leases and will result in almost all leases being recognised on the consolidated statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, a right-of-use ("ROU") asset (for the rights to use the leased item) and a financial liability (for the payment obligations) will be recognised. The only exceptions are short-term and low-value leases.

The new standard will therefore result in an increase in ROU and an increase in lease liability in the consolidated statement of financial position. In the combined statement of comprehensive income, lease will be recognised as depreciation over the terms of the leases and will no longer be recorded as rental expenses. Interest expense on the lease liability will be presented separately from depreciation under finance costs. The combination of a straight-line depreciation of the ROU and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial year of the leases, and decreasing expenses during the later part of the lease terms on a lease-by-lease basis. Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows used in financing activities.

Nevertheless, it is expected that there will be no material impact on the total expenses to be recognised over the entire lease period and the Group's total net profit over the lease period is not expected to be materially affected. As at the reporting date, the Group has non-cancellable operating lease commitments of ¥902 million. Based on a preliminary assessment, the total assets and total liabilities are expected to be increased with no material impact on the net assets.

The Group has set up a project team to review the Group's leasing arrangements in light of the new standard and will continue to assess the full impact of the adoption of IFRS 16.

The Group will apply the standard from its mandatory adoption date of 1 July 2019. The Group intends to elect the modified retrospective approach where the cumulative effects of initially applying IFRS 16 will be recognised as an adjustment to the opening balance of retained profits without restating the comparative figures.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

	2019	2018
	¥ million	*¥ million*
Revenue		
Gross pay-ins	**35,567**	36,368
Less: gross pay-outs	**(27,815)**	(28,112)
Revenue from pachinko and pachislot hall business	**7,752**	8,256
Vending machine income	**130**	135
Property rental	**274**	328
Revenue from other operations	**1**	—
	8,157	8,719

Except for pachinko and pachislot hall business, all of the Group's revenues are recognized over-time as the services are performed.

(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 to the executive directors for the years ended 30 June 2019 and 2018 are as follows:

	Year ended 30 June 2019			
	Pachinko and pachislot hall operation *¥ million*	**Property rental** *¥ million*	**All other segments** *¥ million*	**Total** *¥ million*
Segment revenue from external customers	**7,882**	**274**	**1**	**8,157**
Segment results	**847**	**142**	**—**	**989**
Profit before income tax				**989**
Income tax expense				**(388)**
Profit for the year				**601**
Other segment items				
Depreciation and amortisation	**(602)**	**(49)**	**—**	**(651)**
Finance income	**52**	**2**	**—**	**54**
Finance costs	**(74)**	**(44)**	**—**	**(118)**
Capital expenditures	**(321)**	**(1)**	**—**	**(322)**

	Year ended 30 June 2018			
	Pachinko and pachislot hall operation *¥ million*	Property rental *¥ million*	All other segments *¥ million*	Total *¥ 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)

The segment assets as at 30 June 2019 and 2018 are as follows:

	Pachinko and pachislot hall operation ***¥ million***	**Property rental** ***¥ million***	**All other segments** ***¥ million***	**Total** ***¥ million***
As at 30 June 2019				
Segment assets	**11,908**	**2,401**	**215**	**14,524**
Unallocated assets				**3,154**
Financial assets held at amortised cost				**1,000**
Financial assets at fair value through profit or loss				**576**
Financial assets at fair value through other comprehensive income				**33**
Deferred income tax assets				**430**
Total assets				**19,717**

	Pachinko and pachislot hall operation *¥ million*	Property rental *¥ million*	All other segments *¥ 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

There is no single external customer contributed more than 10% revenue to the Group's revenue for the years ended 30 June 2019 and 2018.

The Group is domiciled in Japan and majority of the non-current assets of the Group as at 30 June 2019 and 2018 are located in Japan.

5 OTHER INCOME AND OTHER LOSSES, NET

	2019 ***¥ million***	2018 *¥ million*
Other income		
Income from scrap sales of used pachinko machines	**557**	783
Rental income from staff quarters	**1**	1
Dividend income	**1**	1
Income from expired IC card	**8**	9
Income from forfeited unutilised ball	**10**	34
Others	**26**	24
	603	852
Other losses, net		
Reversal for impairment loss of investment properties	**52**	—
Compensation for early termination of operating lease	**—**	(98)
Exchange losses, net	**(20)**	(9)
(Losses)/gain on disposal of property, plant and equipment	**(1)**	8
Losses on write-off of property, plant and equipment	**(18)**	(473)
Write-off of investment properties, net	**(22)**	—
Losses on fair value change on financial assets at fair value through profit or loss	**(17)**	(5)
Gain on disposal of assets held under finance lease	**—**	531
Recovery from insurance companies	**20**	15
Others	**(1)**	6
	(7)	(25)

6 HALL OPERATING EXPENSES AND ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2019	2018
	¥ million	*¥ million*
Pachinko and pachislot machines expenses (Note)	**2,388**	3,724
Auditor's remuneration		
— Audit services	**43**	54
— Non-audit services	**22**	7
Employee benefits expenses		
— Hall operating expenses	**1,076**	1,059
— Administrative and other operating expenses	**428**	(440)
Operating lease rental expense in respect of land and buildings	**945**	1,169
Depreciation and amortisation	**651**	750
Advertising and promotion expenses	**438**	491
Equipment and consumables costs	**126**	155
Impairment loss/(reversal of impairment loss) of property, plant and equipment	**1**	(169)
Provision for onerous lease	**15**	—
Provision for unrecoverable prepayments	**18**	—
Reversal of provision for reinstatement	**—**	(37)
Repairs and maintenance	**115**	189
Other taxes and duties	**137**	152
Outsourcing service expenses	**196**	240
Utilities expenses	**374**	389
G-prize procurement expenses to wholesalers	**202**	226
Legal and professional fees	**99**	159
Travel expenses	**44**	48
Insurance fee	**15**	18
Others	**367**	370
	7,700	8,554

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

	2019	2018
	¥ million	*¥ million*
Finance income		
Interest income	**8**	7
Interest from debt securities	**46**	7
	54	14
Finance costs		
Obligations under finance leases	**(51)**	(64)
Bank borrowings interest expenses	**(63)**	(77)
Bond interest expenses	**(1)**	(1)
Others	**(3)**	(7)
	(118)	(149)
Finance costs, net	**(64)**	(135)

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 years ended 30 June 2019 and 2018.

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.

	2019	2018
	¥ million	*¥ million*
Current income tax		
— Japan corporate income tax	**162**	8
Deferred income tax	**226**	106
	388	114

9 EARNINGS PER SHARE

Basic earnings per share for the years ended 30 June 2019 and 2018 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 years ended 30 June 2019 and 2018.

	2019	2018
Profit attributable to shareholders of the Company (¥ million)	**601**	743
Weighted average number of ordinary shares in issue (million) (Note)	**500**	500
Basic and diluted earnings per share (¥)	**1.20**	1.49

Note:

No diluted earnings per share is presented as there was no potential dilutive share during the years ended 30 June 2019 and 2018. Diluted earnings per share is equal to the basic earnings per share.

10 DIVIDENDS

The board of directors did not recommend the payment of dividend for the year ended 30 June 2019 (2018: Nil).

11 BORROWINGS

	2019	2018
	¥ million	*¥ million*
Non-current portion		
Bank loans	**3,643**	4,557
Bonds	**159**	—
	3,802	4,557
Current portion		
Bank loans	**665**	791
Bonds	**65**	30
	730	821
Total borrowings	**4,532**	5,378

As at 30 June 2019 and 2018, the Group's borrowings were repayable as follows:

	2019 ¥ million	2018 ¥ million
Within 1 year	**730**	821
Between 1 and 2 years	**715**	746
Between 2 and 5 years	**1,694**	1,971
Over 5 years	**1,393**	1,840
	4,532	5,378

The average effective interest rates (per annum) at 30 June 2019 and 2018 were set out as follows:

	2019	2018
Bank loans	**1.28%**	1.31%
Bonds	**0.13%**	1.10%

As at 30 June 2019 and 2018, the total borrowings are pledged by certain assets and their carrying values are shown as below:

	2019 ¥ million	2018 ¥ million
Property, plant and equipment	**6,831**	7,342
Investment properties	**588**	712
Financial assets at fair value through other comprehensive income — listed equity securities	**29**	41
	7,448	8,095

No borrowings were guaranteed by the directors as at 30 June 2019 and 2018.

The carrying amounts of borrowings of the Group approximate their fair values as at 30 June 2019 and 2018 and are denominated in Japanese Yen.

During the years ended 30 June 2019 and 2018, details of bonds issued by the Group are as follows:

Issue date	**Principal amount**	**Outstanding balance**		**Interest rate**	**Due date**
		2019	2018		
	¥ million	***¥ million***	*¥ million*		
31 July 2013	300	**—**	30	6 months TIBOR	31 July 2018
13 March 2019	260	**224**	—	6 months TIBOR	13 November 2022

12 TRADE PAYABLES

The ageing analysis of the trade payables based on invoice dates as at 30 June 2019 and 2018 were as follows:

	2019	2018
	¥ million	*¥ million*
Less than 30 days	**26**	21

The carrying amounts of trade payables approximate their fair values as at 30 June 2019 and 2018 and are denominated in Japanese Yen.

13 OBLIGATIONS UNDER FINANCE LEASES

	2019	2018
	¥ million	*¥ million*
Gross finance lease liabilities — minimum lease payments		
No later than 1 year	**350**	365
Later than 1 year and no later than 2 years	**184**	350
Later than 2 years and no later than 5 years	**225**	338
Later than 5 years	**1,017**	1,082
	1,776	2,135
Future finance charges on finance leases	**(549)**	(601)
Present values of finance lease liabilities	**1,227**	1,534

The present value of finance lease liabilities is as follows:

	2019 ¥ million	2018 ¥ million
No later than 1 year	**303**	314
Later than 1 year and no later than 2 years	**141**	304
Later than 2 years and no later than 5 years	**108**	216
Later than 5 years	**675**	700
Total finance lease liabilities	**1,227**	1,534
Less: Amount included in current liabilities	**(303)**	(314)
Non-current portion	**924**	1,220

Assets arranged under finance leases represent buildings and equipment for pachinko and pachislot halls and investment properties. The average lease term is 6 years (2018: 6 years) with effective interest rate of 4.05% (2018: 3.55%) per annum as at 30 June 2019.

As at 30 June 2019, the finance lease under sales and leaseback arrangements with third party lessors amounted to ¥438 million (2018: ¥725 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.

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 2019, we operated 17 (FY2018: 17) pachinko halls under the trading names "Big Apple.", "K's Plaza", "Big Apple. YOUPARK" and "Monaco".

The pachinko and pachislot industry has continued to be affected by the continuous decline in pachinko and pachislot players during FY2019. As disclosed in the Group's annual report for FY2018 and interim report for the six months ended 31 December 2018 ("**6M2018**"), 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**") limited the gaming element of both pachinko and pachislot machines, which reduced attractiveness of the game and hence reduced customer traffic of pachinko halls. As pachinko manufacturers' progress in developing new models that meet the new standards was slower than expected, pachinko hall operators' selection of machines were limited by the machines available in the market. The pachinko industry is expected to shrink further and remain competitive, with stronger pachinko halls acquiring weaker pachinko halls and adopting aggressive marketing strategies to expand their market share to maintain their financial performance.

Managing pachinko halls cost-effectively and streamlining operations

Against such competitive landscape, the Group has prioritised managing its pachinko hall expenses more cost-effectively. Following the Group's initiatives to streamline its pachinko hall operations in FY2018 which included closing down two pachinko halls that were not performing favourably, the Group did not open new pachinko halls during FY2019. As the Group had already conducted major renovation works on certain pachinko halls in FY2018 for facilities upgrade and changing of machine mix, no further pachinko halls were required to undergo major renovation works during FY2019. The Group also began to gradually replace its air conditioning and lighting systems across its pachinko halls to save utilities costs in the long run and to achieve environmental and social governance initiatives. As a result of the above cost controlling measures, the Group managed to reduce its total hall operating expenses by approximately 19.2% from approximately ¥8,414 million for FY2018 to approximately ¥6,798 million in FY2019. In addition, as disclosed in the interim report for 6M2018, effective on 1 January 2019, certain inefficient operating subsidiaries of the Group were dissolved to streamline the Group's corporate structure. For details, please refer to the Group's announcement dated 13 November 2018.

Adopting alternative means to increase our cash flow and expanding our business to new segments

As disclosed in the Group's interim report for 6M2018, we have begun to adopt alternative means to increase our cash flow and income. In July 2018, we subscribed to two series of bonds issued by Sinwa Co., Ltd.* (株式会社しんわ) (the "**Bond Issuer**") in an aggregate amount of ¥1,000 million (the "**Bonds**") and an amendment agreement was entered into in January to extend the maturity date of the Bonds. We believe that the Bonds can help the Group earn a stable yield without being affected by exchange rate fluctuations. For details, please refer to the Company's announcements dated 26 July 2018 and 25 January 2019.

The Group is also exploring ways to diversity its business operations into different segments in light of the continued decline of the pachinko industry. During FY2019, in view of continuous interest in horse racing and increasing interest in other forms of equestrian activities in Japan, the Group acquired two riding horses to expand and diversify its scope of business into competition horse training. The management believes that the new business segment in training and raising competition horses will enable the Group to diversify into Japan's competition horse training industry and generate new sources of revenue in the long run. For details, please refer to the Company's announcement dated 18 June 2019.

Market threats and prospects

Although our effort in enhancing cost efficiency in our pachinko hall operations has helped stabilise our financial performance in FY2019, our management expects our revenue to further decline in the coming financial year. Starting from 1 October 2019, consumption tax in Japan will increase from 8% to 10%, which may discourage customer spending at our pachinko and pachislot halls.

In addition, we anticipate that our renovation expenses will increase in the year ending 30 June 2020. Pursuant to the Japanese government's measures to protect the public from exposure to second-hand smoke, the "Act on the Partial Revision of the Health Promotion Act (No. 78 of 2018)" (健康増進法の一部を改正する法律) was enacted in July 2018, prohibiting people from smoking indoors at selected establishments. The new law is implemented in stages and is expected to cover more establishments such as pachinko halls by April 2020. Pachinko hall operators will be required to maintain a smoke-free environment by installing sealed smoking rooms or designating a floor of their premises exclusively for smokers. Although our management does not expect such legislation to significantly affect our customer traffic in the long run, the new law requires us to renovate our premises to create a smoke-free environment, which will increase our renovation expenses and we foresee the renovation works may temporarily disrupt our operations.

Our management will continue to monitor our business closely and strive to achieve cost efficiency in order to minimise the impact of government policies and intensifying competition. Despite the continuous market and regulatory threats, our management has noted that, our newer pachinko halls, in particular our flagship BA. Dejima Hall in Nagasaki which commenced operations in September 2017, have shown an increase in revenue during FY2019, indicating that our well-equipped facilities and updated machine mix in such newer halls are able to attract satisfactory customer traffic despite the general decline of gaming atmosphere. Going forward, we will continue to prioritise our effort in enhancing cost efficiency and allocating our resources to maintain the attractiveness of our pachinko halls. We will also continue to explore opportunities to diversify into other segments and to broaden our sources of revenue.

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 approximately 95.0% of the total revenue (FY2018: approximately 94.7%). Our total revenue decreased by approximately 6.4%, from approximately ¥8,719 million for FY2018, to approximately ¥8,157 million for the Year. This decrease was mainly a result of the decrease in approximately 6.1% in revenue generated from our overall pachinko and pachislot business, from approximately ¥8,256 million for FY2018 to approximately ¥7,752 million for the Year. The decrease in revenue from pachinko and pachislot business was primarily due to the closure of the BA. Nagasaki Hall and the BA. Kamata Hall in February 2018 and April 2018, respectively, which contributed certain amount of revenue in the first six months of FY2018 prior to their closure, and the decline in customer traffic at our pachinko and pachislot halls, partially offset by the increase in revenue of certain of our pachinko halls such as our BA. Dejima Hall and our BA. Shunan Hall.

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 approximately ¥135 million, or approximately 3.7%, for FY2018 to approximately ¥130 million for the Year, primarily due to a result of decrease in customer traffic.

We derived rental income from renting out (i) car parks, (ii) offices, (iii) residential units and (iv) premises to G-prize wholesalers. Property rental income decreased from approximately ¥328 million, or 16.5%, for FY2018 to approximately ¥274 million for the Year, due to the decrease in the area of property rented out as a result of the closure of the BA. Kamata Hall, which contributed certain amount of revenue in the first six months of FY2018, prior to its closure in April 2018 as well as the reduction of rental rates in line with the prevailing rental market.

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 was 8% in Japan during FY2019.

Our gross pay-ins recorded a decrease of approximately ¥801 million, or approximately 2.2%, from approximately ¥36,368 million for FY2018 to approximately ¥35,567 million for the Year, which was mainly due to the reasons mentioned in the paragraph headed "Revenue" above.

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 approximately ¥297 million, or approximately 1.1%, from approximately ¥28,112 million in FY2018 to approximately ¥27,815 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 approximately 22.7% in FY2018 to approximately 21.8% 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 approximately ¥852 million, or approximately 29.2%, for FY2018 to approximately ¥603 million for the Year, mainly due to a decrease in income from scrap sales of used pachinko machines from approximately ¥783 million for FY2018 to approximately ¥557 million for the Year, which mainly resulted from the decrease in number of machines replaced due to our slower turnover rate in machine replacement in light of the 2018 Regulations and general market reluctance in replacing pachinko and pachislot machines as mentioned above.

Hall operating expenses and administrative and other operating expenses

Hall operating expenses decreased by approximately ¥1,616 million, or approximately 19.2%, from approximately ¥8,414 million in FY2018 to approximately ¥6,798 million in the Year. This is primarily due to (i) the decrease in pachinko and pachislot machine expenses by approximately ¥1,336 million or approximately 35.9% from approximately ¥3,724 million in FY2018 to approximately ¥2,388 million in the Year, attributable to the decrease in the number of machines replaced and (ii) the absence of hall operating expenses incurred by the BA. Nagasaki Hall and the BA. Kamata Hall after their closure, partially offset by the absence of the reversal of impairment loss of property, plant and equipment in the Year which amounted to approximately ¥169 million in FY2018.

Administrative and other operating expenses increased by approximately ¥762 million, or approximately 544.3%, from approximately ¥140 million in FY2018 to approximately ¥902 million in the Year, primarily because during the Year, there was an absence of a one-off reversal of provision for Directors' retirement benefits of approximately ¥947 million made in FY2018.

Profit before income tax

Profit before income tax increased by approximately ¥132 million, or approximately 15.4%, from approximately ¥857 million in FY2018 to approximately ¥989 million in the Year. This is mainly attributable to the decrease in hall operating expenses as aforementioned, offset by the decrease in revenue and other income and increase in administrative and other operating expenses as aforementioned.

Profit for the year attributable to shareholders of the Company

Profit for the year attributable to shareholders of the Company decreased by approximately ¥142 million, or approximately 19.1%, from approximately ¥743 million in FY2018 to approximately ¥601 million in the Year. The decrease in profit for the Year was mainly due to the increase in income tax expense by approximately ¥274 million from approximately ¥114 million for FY2018 to approximately ¥388 million for the Year attributable to an increase in taxable income as compared to FY2018.

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 2019, the Company had total borrowings of approximately ¥4,532 million (30 June 2018: approximately ¥5,378 million), of which approximately 95.1% represented bank borrowings and approximately 4.9% represented bonds.

Cash and cash equivalents

As at 30 June 2019, the Company had cash and cash equivalents of ¥2,565 million (30 June 2018: ¥2,904 million).

Borrowings

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

	As at 30 June 2019		**As at 30 June 2018**	
	¥ million	***%***	*¥ million*	*%*
Within 1 year	**730**	**16.1%**	821	15.3%
Between 1 year and 2 years	**715**	**15.8%**	746	13.9%
Between 2 years and 5 years	**1,694**	**37.4%**	1,971	36.6%
Over 5 years	**1,393**	**30.7%**	1,840	34.2%
	4,532	**100.0%**	5,378	100.0%

As illustrated above, the proportion of our borrowings repayable within 1 year increased while the proportion of our borrowings repayable in over 5 years decreased. The change of maturity profile of our borrowings was primarily attributed to the fact that there were no new bank borrowings during the Year, and that existing bank borrowings were gradually repaid by the issuance of bonds by the Group as described below. As at 30 June 2019, none of the Group's borrowings were subject to a fixed interest rate.

The value of the outstanding bond issued by the Group as at 30 June 2019 amounts to ¥224 million (30 June 2018: ¥30 million). This relates to the bonds which were issued in March 2019.

Pledged assets

As at 30 June 2019, the Company pledged assets, including (i) property, plant and equipment, (ii) investment properties, and (iii) listed securities, in the sum of ¥7,448 million (30 June 2018: ¥8,095 million) to secure certain general banking facilities of the Group. The decrease in pledged assets was primarily attributable to the release of pledges over certain assets as part of our existing borrowing has been repaid as mentioned above.

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 21.9% as at 30 June 2019 (30 June 2018: 27.0%). The decrease of 5.1% was mainly attributable to the repayment of our existing borrowings.

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 risks associated with United States Dollars for expenses we incur in such currency. To manage such foreign exchange risks, we entered into foreign exchange transactions to purchase United States Dollars using Japanese Yen in FY2019. 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 will continue manage our exposures in United States Dollars by maintaining significant amount of our cash and bank balances in Japanese Yen.

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**	
	2019	2018	**2019**	2018
	¥ million	*¥ million*	***¥ million***	*¥ million*
No later than 1 year	**860**	932	**50**	66
Later than one year and no later than five years	**17**	17	**—**	—
Over five years	**25**	34	**—**	—

As at 30 June 2019, 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 ¥50 million (30 June 2018: ¥3 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 ¥322 million for the Year (FY2018: ¥2,316 million), majority of which came from freehold land, buildings, leasehold improvements and equipment and tools for our pachinko halls. The capital expenditure were financed by net proceeds from the Share Offer (defined below) and the Group's internal funds.

Contingent liabilities

As at 30 June 2019, the Company did not have any material contingent liabilities or guarantees.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group held significant investments primarily in investment properties of ¥2,279 million, which represented carparks situated in Japan and rented out under operating lease, and financial assets of ¥1,609 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 ¥17 million for the changes from financial assets at fair value through profit or loss, (ii) and a loss of ¥13 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.

As disclosed in the Company's interim report for 6M2018, on 26 July 2018, the Company entered into two agreements with 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. On 25 January 2019, the Company, the Bond Issuer and Everglory Capital Co., Ltd. (株式会社エバーグローリー•キャピタル) entered into an agreement to, among others, extend the maturity date of the Bonds. For details, please refer to the Company's announcements dated 26 July 2018 and 25 January 2019.

HUMAN RESOURCES

Employees and remuneration policies

As at 30 June 2019, the Group had 494 employees, almost all of whom were based in Japan, and of whom 435 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 ¥1,504 million (FY2018: ¥619 million), which accounted for approximately 19.5% (FY2018: 7.2%) 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 (the "**Listing Date**"), 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**"), (ii) the actual utilisation of such proceeds from the Listing Date to 30 June 2019 and (iii) the unutilised net proceeds as at 30 June 2019 and the expected timeline of utilising such net proeeds:

	Intended utilisation of net proceeds as disclosed in the Prospectus and Allotment Result Announcement		Actual utilisation of net proceeds from the Listing Date to 30 June 2019		Unutilised net proceeds as at 30 June 2019		
	Amount (HK$ million)	% of net proceeds	Amount (HK$ million)	% of net proceeds	Amount (HK$ million)	% of net proceeds	Expected timeline
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 pachinko halls	29.6	40.0	20.5	27.7	9.1	12.3	To be utilised during the year ending 30 June 2020
Working capital and other general corporate purposes	7.4	10.0	7.4	10.0	—	—	—
	74.0	100.0	64.9	87.7	9.1	12.3	—

The remaining 12.3% 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 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

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

MATERIAL ACQUISITIONS AND/OR DISPOSALS OF SUBSIDIARIES

On 1 January 2019, six of the Company's wholly-owned subsidiaries, namely, K's Holdings Co., Ltd.* (株式会社ケーズ・ホールディングス) ("**K's Holdings**"), Okura Co., Ltd.* (王蔵株式会社) ("**Okura Japan**"), Aisen Co., Ltd.* (株式会社アイセン) ("**Aisen**"), Okura Nishinihon Co., Ltd.* (王蔵西日本株式会社) ("**Okura Nishinihon**"), Adward Co., Ltd.* (アドワード株式会社) ("**Adward**") and Aratoru Co., Ltd.* (アラトル株式会社) ("**Aratoru**"), underwent absorption-type mergers whereby K's Holdings, Aisen and Adward were absorbed and dissolved, and Okura Japan, Okura Nishinihon and Aratoru survived and remain wholly-owned subsidiaries of the Company. For details, please refer to the Company's announcement dated 13 November 2018.

PURCHASE OF HORSES

On 18 June 2019, Okura Japan and Ichikura Limited entered into a horse purchase agreement, pursuant to which Okura Japan agreed to purchase and Ichikura Limited agreed to sell two riding horses at a consideration of approximately JPY212.8 million (the "**Purchase**"). As Ichikura Limited is a company indirectly wholly-owned by Mr. Katsuya Yamamoto, an executive Director, the chief executive officer and a controlling shareholder of the Company, Ichikura Limited is an associate of Mr. Yamamoto and a connected person of the Company. Accordingly, the Purchase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Completion of the Purchase took place in August 2019. For details, please refer to the Company's announcement dated 18 June 2019.

EVENTS AFTER THE REPORTING PERIOD

Mr. Katsumitsu Yamamoto, a former member of the senior management of the Company who resigned with effect from 30 June 2019, passed away on 11 September 2019. The late Mr. Katsumitsu Yamamoto is the father of Mr. Katsuya Yamamoto, an executive Director, the chief executive officer and the chairman of the Board. For details, please refer to the Company's announcement dated 13 September 2019.

Save as disclosed above, there are no significant events after the reporting period up to the date of this announcement.

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 figures in respect of the Group's consolidated financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary 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 financial information relating to the Year and the financial information relating to FY2018 included in this preliminary announcement of annual results of 2018/2019 does not constitute the Company's statutory annual consolidated financial statements for those years but, in respect of FY2018, 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 FY2018 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 FY2018. 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 2019.

ANNUAL GENERAL MEETING

The Company will hold its annual general meeting on Wednesday, 20 November 2019 (the "**2019 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 2019 AGM, the register of members of the Company will be closed from Friday, 15 November 2019 to Wednesday, 20 November 2019 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2019 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 14 November 2019.

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, 25 September 2019

* *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. Kazuyuki YOSHIDA.