Hong Kong Johnson Holdings Co., Ltd.

香港莊臣控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

Stock Code : 1955

Annual Report 2019/20

Contents

If there is any inconsistency or conflict between the English version and Chinese version, the English version shall prevail.

Chairman's Statement

Dear Shareholders,

On behalf of Hong Kong Johnson Holdings Co., Ltd. (the "**Company**") together with its subsidiaries (the "**Group**" or "**Johnson Holdings**") and the board of Directors (the "**Board**"), I am delighted to present the annual results of the Group for the year ended 31 March 2020 (the "**Year**" or the "**year under review**").

The past year was a leap forward for Johnson Holdings, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 October 2019 (the "**Listing**"), representing an important milestone for the Company. It motivates us to seek advancement under this challenging business environment, as well as to connect with the capital market, to prepare for future development. I am most grateful for the contributions from our business partners, management team and staff members to the successful Listing.

Market Review

In 2019, the global economy was compounded by the US-China trade war and Brexit. In addition, Hong Kong's economy was impacted by social upheaval, and the outbreak of Coronavirus Disease (COVID-19) at the end of 2019 and the first quarter of 2020. Experiencing both international and domestic unfavorable economic factors, Hong Kong's GDP recorded a decline of 1.2% in 2019, marked a significant decrease from the 2.9% in 2018. Despite the social and economic instability during the Year, according to the Food and Environmental Hygiene Department, Hong Kong Government allocated HK$4,939.3 million in environmental hygiene and related services from 2019 to 2020, a substantial increase of approximately 17.2% compared to previous year. We believe due to the prolonged social upheaval, an additional of 8,000 cleaning workers from Food and Environmental Hygiene Department were required daily to provide cleaning services in various districts of Hong Kong, cleaning up a massive number of posters, vandalism, debris and garbage after large-scale activities. Therefore, the demand of environmental hygiene experienced an extraordinary increment. Furthermore, there is an escalated demand for environmental hygiene service for the epidemic prevention due to the outbreak of COVID-19, including government departments, private buildings, parks and recreation centers, streets and campus. As a result, the service procedures and requirements of environmental hygiene service increased significantly.

Results Review

During the year under review, the Group recorded a revenue of approximately HK$1,785.0 million, compared with HK$1,433.4 million for the corresponding period of last year, representing an increase of approximately 24.5%. Profit for the year amounted to approximately HK$28.5 million, compared with HK$21.8 million for the corresponding period of last year, representing an increase of approximately 30.5%. Gross profit recorded to approximately HK$121.1 million, compared with HK$103.5 million for the corresponding period of last year, representing an increase of approximately 17.0%. During the year under review, revenue generated from government sector customers amounted to approximately HK$1,196.6 million, compared with HK$869.2 million for the corresponding period of last year, representing an increase of 37.7%. Revenue generated from non-government sectors amounted to approximately HK$588.4 million, compared with HK$564.2 million for the corresponding period of last year, representing an increase of 4.3%. In consequence of the epidemic of COVID-19 towards the end of 2019, as one of the major environmental hygiene service suppliers, the increment of revenue is mainly attributable to the soaring demand of environmental hygiene service from the community.

Business Strategy

During the year under review, in spite of the growing demand of environmental hygiene service from the community leading to a positive market outlook, the environmental hygiene service market exhibits a long-standing shortage of frontline labour. In addition, the environmental hygiene service market has a relatively higher turnover rate than other industries, giving rise to a mismatch between the demand and supply of manpower. Facing the stark demand of manpower, the Group plans to implement the cooperate strategies as stated below:

Introducing advanced automation equipment, reduction of manpower shortage and costs

Our vehicle fleet, has increased from approximately 100 vehicles to 300 vehicles since last year, including specialized vehicles such as grab tippers, water wagons and garbage compactor vehicles which allow us to carry out various scope of environmental hygiene services and to cope with the requirements of the newly awarded service contracts. In addition, we continue to introduce automated and advanced cleaning devices to enhance our service efficiency and quality. For instance, introduction of the vacuum cleaning robots and pressure washer surface machines require shorter labour working time, saving water and energy.

Innovative human resource management, reduction of management cost and strengthening real-time management

Environmental hygiene service industry is facing the soaring customers' requirements and operating cost. Apart from labour costs, other indirect costs (such as management and administration costs) have increased in environmental hygiene service. Therefore, our Group self-developed a fleet management system, which is more convenient and flexible for fleet deployment, to track the activities of our vehicles. The system will provide the best route for our driver leading to a timelier and more fuel-efficient outcome. Moreover, we hope to provoke the use of new technology to monitor and counting attendance for cleaning workers, in order to lower costs of human resources in the future.

Catering the development of Smart City, introducing environmental hygiene technology with the times

To enhance the professionalism of the Group's environmental hygiene service, and to incorporate the convenience of rapid information transfer with 5G technology, we introduced various of environmental hygiene technology to improve our service quality. For example, Toilet Monitoring System, this system includes ammonia sensor, user counting system and users' feedback panel to enhance the monitoring level. Due to the automation of the system, we are able to provide service orders by demand, reducing unnecessary workload for cleaners. The management center is able to view various data in real time through the system, enabling management to maximize work efficiency and service level, in order to improve environmental hygiene service to cater the progression of the smart city. Furthermore, the Group is actively studying in smart environmental protection to utilize technology for electronic equipment development, which further enhances the service automation and professionalism of the Group.

Strengthening protective equipment and safety training, emphasizing hygiene and safety procedures

As an environmental hygiene service provider, the Group is obligated to comply with relevant contracts, law and regulations for the provision of sufficient protective clothing and equipment, as well as safety trainings for the Group's employees. In particular under the threat of COVID-19, the demand of environmental hygiene service has escalated, leading our frontline workers to face higher safety risk. Our staffs have to follow more stringent health and safety procedures on their duties, which lead to the increment of requirements in terms of management.

Prospects

In the upcoming year, there are various uncertainties in the economic market. However, the Hong Kong Government has announced to allocate approximately HK$5,903.1 million in environmental hygiene and related services in 2020-2021, representing a steep increase of 19.5%. We shall seize the opportunities arising from the soaring requirements for environmental hygiene service in the society owing to the impact of the recent pandemic. In view of this, the Group will introduce more innovative technology and equipment to increase the quality and efficiency of our environmental hygiene service. To enhance logistic business of garbage collection and to provide advanced environmental hygiene service technology and equipment to our customers in order to maintaining the market leadership and competitiveness, we established Johnson Environmental Company Limited and i-CLEAN LIMITED in April 2020. The Group is exploring the possibility to merge, acquire, self-establish and strategic cooperate with some vertical businesses in relation to environmental protection and environmental hygiene service. It aims to bring into full play our edges in the industry, create a long-term value, broaden the sources of income and reduce costs of the Group. In addition to deepening and consolidating the local market, we have noticed the Chinese government implemented a number of measures related to environmental protection in 2019 and early 2020. Including the "Soil Pollution Presentation and Control Law" implemented on 1 January 2019 and the General Office of the State Council forwarded the "Implementation Plan for Domestic Waste Classification System" from the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development in the early 2020. Therefore, it is foreseeable that the environmental hygiene service market in China will bring in new opportunities in response to the new policies, we will consider exploring the development of the Chinese market to seize business opportunities as and when appropriate for the growth of our business.

Appreciation

Last but not least, I would like to take this opportunity to express gratitude to the Group's management team and staff for their dedication. As well as our Shareholders, investors and business partners' support and trust. Looking ahead, we will proactively seize business opportunities and developments to maximize the returns of our Shareholders.

XU Jili
Chairman of the Board

Hong Kong, 26 June 2020

Corporate Information

Board of Directors

Executive Directors

Mr. CHEUNG Kam Chiu *(Co-chief executive officer)*
Mr. SZETO Wing Tak *(Co-chief executive officer)*

Non-executive Directors

Ms. XU Jili *(Chairman)*
Ms. LI Yanmei
Mr. XIE Hui
Mr. YE Ning
Ms. LEE Wing Yee Loretta
Ms. WONG Ling Fong Lisa
Mr. ZHOU Wenjie

Independent non-executive Directors

Mr. FAN Chiu Tat Martin
Dr. GUAN Yuyan
Mr. HONG Kam Le
Mr. LEUNG Siu Hong
Ms. RU Tingting

Audit Committee

Mr. FAN Chiu Tat Martin *(Chairman)*
Ms. RU Tingting
Mr. LEUNG Siu Hong

Remuneration Committee

Mr. LEUNG Siu Hong *(Chairman)*
Dr. GUAN Yuyan
Ms. RU Tingting

Nomination Committee

Ms. RU Tingting *(Chairman)*
Dr. GUAN Yuyan
Mr. HONG Kam Le

Authorised Representatives under Listing Rules

Mr. CHEUNG Kam Chiu
Ms. LEE Mei Yi *(FCIS, FCS(PE))*

Joint Company Secretaries

Mr. LI Zhuang
Ms. LEE Mei Yi *(FCIS, FCS(PE))*

Investor Relations Consultant

Kredito PR Consultancy Limited
Suite 2602-03, Tower 1
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Hunghom, Hong Kong
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Fax : +852 2248 1199

Registered Office

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Principal Place of Business in Hong Kong

11/F China Aerospace Centre
No. 143 Hoi Bun Road
Kwun Tong
Kowloon, Hong Kong

Corporate Information (Continued)

Cayman Islands Principal Registrar Office

Harneys Fiduciary (Cayman) Limited
3rd Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers

As to Hong Kong law
Bird & Bird

As to Cayman Islands law
Harney Westwood & Riegels

Compliance Adviser

WAG Worldsec Corporate Finance Limited

Independent Auditor

RSM Hong Kong
Certified Public Accountants, Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited

Stock Code

1955

Website

www.johnsonholdings.com

Listing Date

16 October 2019

Management Discussion and Analysis

Result

The Group is a leading environmental hygiene service provider which provides a wide range of environmental hygiene services to all major districts throughout Hong Kong including provision of building cleaning service, park and recreation center cleaning service, street cleaning service, institutional cleaning service and other cleaning services.

The Group recorded a revenue of approximately HK$1,785.0 million for the year ended 31 March 2020, representing an increase of 24.5% compared with that of last year. The Group's overall gross profit margin decreased from approximately 7.2% to 6.8%, which was mainly due to the keen competition in the market, coupled with an increase in labour costs.

Profit for the year increased by approximately HK$6.7 million or 30.5% from approximately HK$21.8 million for year ended 31 March 2019 to approximately HK$28.5 million for the year ended 31 March 2020. The increase was mainly due to the increase in gross profit by approximately HK$17.6 million from our services, partly offset by increase in administrative expense, finance costs and income tax expenses.

Business Review and Prospects

The Year is a very crucial and challenging year for Johnson Holdings, we have successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited, representing an important milestone for the Company. Faced with international and domestic economic instability, social upheaval and the outbreak of COVID-19 in 2019, the public environmental hygiene awareness has increased and the complexity and requirements of environmental hygiene service have escalated. As a result, the demand for environmental hygiene service soared during the year under review. The Group is confident that we are able to provide high-quality and customized environmental hygiene services to meet our customers' specific requirements with the Group's extensive operational resources.

Street cleaning service and building cleaning service are our major sources of revenue, which contributed approximately 30% and 27% of revenue for the year ended 31 March 2020 respectively. All of our revenue has been generated from service contracts, the majority of which have service period of one to three years. These service contracts bring us stable income stream. In addition to providing environmental hygiene service to various government departments, we have also maintained a long-standing and stable relationship with a number of non-government sectors such as property management companies and educational institutions. As of today, more than 60% of our revenue is derived from government sectors, the remaining of which is from the non-government sectors, including property management companies, transport companies, property developers, universities and other higher education institutions.

In the foreseeable future, the Group will introduce more innovative technologies and equipments to increase the quality and efficiency of our environmental hygiene services. To enhance logistic business of garbage collection and to provide advanced environmental hygiene service technology and equipment to our customers in order to maintain our position as a market leader and our competitiveness in the environmental hygiene service market, we established Johnson Environmental Company Limited and i-CLEAN LIMITED in April 2020. In the meantime, the Group is exploring the possibility to merge, acquire, establish and strategic cooperate with some vertical businesses in relation to environmental protection and environmental hygiene service. We aim to bring into full play our edges in the industry and create a long-term value of the Group. In addition to deepening and consolidating the local market, we have noticed the Chinese government implemented a number of measures related to environmental protection and waste management. Therefore, it is foreseeable that the environmental hygiene service market in China will bring in new opportunities in response to the new policies. We will consider exploring the development of the Chinese market to seize business opportunities as and when appropriate for the growth of our business.

Financial Review

Revenue

The Group's revenue for the years ended 31 March 2020 and 2019 were approximately HK$1,785.0 million and HK$1,433.4 million respectively, representing an increase of approximately 24.5%. The increase was mainly due to the increase in revenue generated from our government sector customers.

Cost of services

The cost of services primarily comprised of labour costs, cleaning materials costs and motor vehicles expenses. For the years ended 31 March 2020 and 2019, the cost of services amounted to approximately HK$1,663.8 million and HK$1,329.9 million respectively, representing approximately 93.2% and 92.8% of the Group's revenue for the corresponding years respectively. The percentage of cost of services to the Group's revenue increased by approximately 0.4% due to the keen competition in the market, coupled with an increase in labour cost.

Gross profit and gross profit margin

The Group's gross profit for the year ended 31 March 2020 was approximately HK$121.1 million, representing an increase of approximately HK$17.6 million or 17.0% from approximately HK$103.5 million for the corresponding year in 2019. The increase was mainly due to an increase in revenue.

The gross profit margins of the Group for the years ended 31 March 2020 and 2019 were approximately 6.8% and 7.2% respectively. The decrease in gross profit margin was mainly due to the keen competition in the market, coupled with an increase in labour costs. Therefore, the increment in cost of services was higher than that in revenue which resulted in a drop of gross profit margin.

Administrative expenses

The administrative expenses of the Group for the years ended 31 March 2020 and 2019 were approximately HK$75.0 million and HK$69.1 million respectively. The increase was mainly due to the increase of directors' bonus of approximately HK$1.8 million together with increase of headcounts, administrative expenses and professional fees after the Listing, including auditor's remuneration and other professional fees. The Group continued to implement its budget cost control measures for administrative expenses during the Year.

Finance costs

The finance costs represented primarily the interest expenses on bank borrowings with floating interest rates. The finance costs amounted to approximately HK$10.4 million and HK$6.9 million for the years ended 31 March 2020 and 2019 respectively, representing approximately 0.6% and 0.5% of the Group's total revenue respectively. The increase was mainly due to the increase in bank borrowings during the Year.

Profit for the year attributable to equity shareholders of the Company

The Group's profit for the year attributable to equity shareholders of the Company for the year ended 31 March 2020 and 2019 were approximately HK$28.5 million and HK$21.8 million respectively, representing an increase of approximately 30.5%. The increase was mainly due to the factors described above.

Liquidity and financial resources

The Group has funded the liquidity and capital requirements primarily through retained earnings, bank borrowings and cash inflows from the Global Offering (referred to in the prospectus issued by the Company on 27 September 2019). As at 31 March 2020, the capital structure of the Group consisted of equity of approximately HK$300.2 million (31 March 2019: HK$161.0 million), bank and other borrowings of approximately HK$116.9 million (31 March 2019: HK$113.7 million), lease liabilities of approximately HK$23.1 million (31 March 2019: finance lease payables of approximately HK$10.2 million).

Account receivables

As at 31 March 2020, the Group had total account receivables of approximately HK$334.9 million (31 March 2019: HK$268.8 million). The increase was mainly due to the increase in revenue.

Cash position and fund available

During the Year, the Group maintained a healthy liquidity position, with working capital being financed by the Global Offering and operating cash flows. As at 31 March 2020, the Group's cash and cash equivalents were approximately HK$169.0 million (31 March 2019: HK$87.3 million). The Group pledged bank deposits of approximately HK$16.3 million (31 March 2019: HK$16.4 million) to secure the Group's banking facilities. As at 31 March 2020, the current ratio of the Group was approximately 1.6 times (31 March 2019: 1.4 times).

Accruals, other payables and provisions

As at 31 March 2020, the Group had total accruals, other payables and provisions of approximately HK$216.0 million (31 March 2019: HK$154.3 million). The increase was mainly due to the increase in accrued staff costs. This is generally in line with the increase in revenue for the month of March 2020 when compared with that for the month of March 2019.

Bank and other borrowings

As at 31 March 2020, the Group had total bank and other borrowings of approximately HK$116.9 million (31 March 2019: HK$113.7 million). As at 31 March 2020, the Group had aggregate banking facilities, which comprised of overdraft and revolving loan facilities, factoring facility and guarantee line facility, of approximately HK$784.5 million, of which approximately HK$395.8 million was unutilised.

Gearing ratio

As at 31 March 2020, the Group's gearing ratio was approximately 46.6% (31 March 2019: 76.9%), calculated by dividing total debts by total equity and multiplying the resulting value by 100%. The Group's total debts include interest-bearing bank and other borrowings and lease liabilities (31 March 2019: interest-bearing bank and other borrowings and finance lease payables).

Foreign currency exposure

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Capital expenditure

The Group incurred total capital expenditures of approximately HK$72.9 million for the year ended 31 March 2020 (2019: HK$18.7 million) for additions of property, plant and equipment and right-of-use assets. The increase in capital expenditure was principally due to the acquisition of motor vehicles for rendering environmental hygiene service. It was mainly funded by bank borrowings, fund generated from operating activities and net proceeds from the Global Offering.

Capital commitment

As at 31 March 2020, the Group had a total capital commitment of approximately HK$1.1 million (31 March 2019: HK$1.3 million), mainly comprising the related contracts of capital expenditure for property, plant and equipment.

Charges on the Group's assets

As at 31 March 2020 and 2019, the Group pledged certain property, plant and equipment, bank deposits, account receivables, right-of-use assets (31 March 2019: prepaid land lease payments) and financial assets at fair value through profit or loss ("**FVTPL**") to secure bank and other borrowings, performance bonds relating to deposits for cleaning, janitorial and other related service projects, and lease liabilities.

Contingent liabilities

(a) Performance bonds

At 31 March 2020, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to HK$285,358,000 (31 March 2019: HK$216,438,000). The performance bonds were secured by pledged bank deposits, account receivables, buildings, right-of-use assets (31 March 2019: prepaid land lease payments) and financial assets at FVTPL.

At 31 March 2020, the performance bonds were guaranteed by the Company.

At 31 March 2019, the performance bonds were guaranteed by two Directors, Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak, and two shareholders of the Company, Hong Kong Huafa Investment Holdings Limited and Canvest Environmental (China) Company Limited.

(b) Litigation

As at 31 March 2020 and 2019, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK$1,116,000 and HK$1,276,000 respectively. In the opinion of the Directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

Acquisition, Disposal and Significant Investment Held

During the Year, the Group did not make any material acquisition, disposal nor significant investment.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this annual report, the Group has no specific plan for material investments or capital assets as at 31 March 2020.

Events After the Reporting Period

The Group does not have any material events after the end of the reporting period.

Human Resources

As at 31 March 2020, the Group had over 10,000 employees (31 March 2019: over 8,000 employees). Remuneration is determined with reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward for their contributions. In addition, the Group conducted various training activities, such as training on operational safety, office and management skills, to improve the front-end quality of services and office support during the Year.

Directors and Senior Management

Directors

Executive Directors

Mr. CHEUNG Kam Chiu ("Mr. Cheung"), aged 65, is the Co-chief executive officer and one of the founders of the Company and its subsidiaries (the "**Group**") and was appointed as a Director on 9 July 2018. He was re-designated as an executive Director on 24 January 2019. Mr. Cheung has over 40 years of experience in the environmental hygiene service industry. He co-founded Johnson Cleaning Service Co. in 1979 and has been a director and a joint executive director of Johnson Cleaning Services Company Limited ("**Johnson Cleaning**", an indirect wholly-owned subsidiary of the Company) since May 1989 and a director of certain subsidiaries of the Company. He has also been a director of Johnson Investment Holding Co., Ltd. ("**Johnson Investment**", a direct wholly-owned subsidiary of the Company) since its incorporation on 10 August 2018. Mr. Cheung is responsible for the overall day-to-day management, strategic planning and business development of the Group. Mr. Cheung together with Mr. SZETO Wing Tak and other members of the senior management have been responsible for the overall management and day-to-day operation of the Company. As Co-chief executive officer of the Group, Mr. Cheung was responsible for reporting to the board of directors of the Company (the "**Board**" or "**Director(s)**") from time to time the business operations, financial performance and business plan of the Company. Mr. Cheung was also responsible for supervising the day-to-day operations delegated to the senior management such as contract biding, performance and management of business contracts, management of lower-rank staff and handling suppliers and customers. He completed his secondary education in Hong Kong.

Mr. SZETO Wing Tak ("Mr. Szeto"), aged 64, is the Co-chief executive officer and one of the founders of the Group and was appointed as a Director on 9 July 2018. He was re-designated as an executive Director on 24 January 2019. Mr. Szeto has over 40 years of experience in the environmental hygiene service industry. He co-founded Johnson Cleaning Service Co. in 1979 and has been a director and a joint executive director of Johnson Cleaning since May 1989 and a director of certain subsidiaries of the Company. He has also been a director of Johnson Investment since its incorporation on 10 August 2018. Mr. Szeto is responsible for the overall day-to-day management, strategic planning and business development of the Group. Mr. Szeto together with Mr. Cheung and other members of the senior management have been responsible for the overall management and day-to-day operation of the Company. As Co-chief executive officer of the Group, Mr. Szeto was responsible for reporting to the Board from time to time the business operations, financial performance and business plan of the Company. Mr. Szeto was also responsible for supervising the day-to-day operations delegated to the senior management such as contract biding, performance and management of business contracts, management of lower-rank staff and handling suppliers and customers. He completed his secondary education in Hong Kong.

Non-executive Directors

Ms. XU Jili ("Ms. Xu"), aged 48, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director and the Chairman of the Company on 24 January 2019. Ms. Xu has been a director of Johnson Cleaning since 18 April 2017 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. Xu has over 13 years of experience in business management. Ms. Xu has been a chief financing officer of Zhuhai Huafa Group Company Limited (珠海華發集團有限公司) ("**Zhuhai Huafa**", which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") and a controlling shareholder of the Company), since March 2018, a general manager and director of Zhuhai Huafa Multi-Business Development Co., Ltd. (珠海華發綜合發展有限公司) since September 2016, a director of Huafa Industrial Co., Ltd. Zhuhai (珠海華發實業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600325), since March 2016. Since April 2015 and March 2020, Ms. Xu has been a director and executive vice president of Zhuhai Huafa Investment Holdings Company Limited (珠海華發投資控股有限公司) (formerly known as Zhuhai Financial Investment Holdings Group Co. Ltd. (珠海金融投資控股集團有限公司)) ("**Huafa Investment Holdings**"), respectively. From January 2017 to March 2020, she was the deputy general manager of Huafa Investment Holdings. Ms. Xu is also the chairman of the board of directors of Zhuhai Huafa Trade Holdings Limited (珠海華發商貿控股有限公司) and of Zhuhai Huafa Group Finance Co., Ltd. (珠海華發集團財務有限公司) since March 2015. She was the vice president of the Industrial Bank Co., Ltd., Zhuhai branch from May 2011 to April 2013 where she was mainly responsible for overseeing financial markets and risk management. Prior to that, Ms. Xu was the vice president of Agricultural Bank of China, Zhuhai branch from May 2006 to April 2011, where she was mainly responsible for business management, credit risk management and asset disposal.

Ms. Xu obtained a Bachelor of Economics from Nankai University in the People's Republic of China ("**PRC**") in July 1993. She also obtained a Master's degree in Management from the South China Agricultural University in the PRC in June 2006.

Ms. LI Yanmei, aged 48, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Ms. LI Yanmei has been a director of Johnson Cleaning since 25 September 2015 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. LI Yanmei has been the chairman of the board and general manager of Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司) (which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, a controlling shareholder of the Company and a wholly-owned subsidiary of Zhuhai Huafa), since September 2014, where she was responsible for overall management and day-to-day operations. Ms. LI Yanmei also worked for HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司), a controlling shareholder of the Company, as a joint company secretary from July 2014 to July 2017 and served as its sole company secretary from July 2017 to June 2019, responsible for general company secretarial affairs. Prior to joining Zhuhai Huafa, Ms. LI Yanmei served at PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司) ("**PICC**") from July 1992 to July 2013, where she was eventually promoted to the officer-in-charge of the bank insurance department of the Guangdong branch of PICC, where she was responsible for banking insurance business development planning for Guangdong province.

Ms. LI Yanmei obtained a Bachelor of Science from Sun Yat-sen University in the PRC in July 1992, completed a postgraduate certificate in political economic science (政治經濟學) from the Guangdong Academy of Social Sciences in the PRC in August 2000, and obtained a Master of Business Administration from the Macau University of Science and Technology in Macau in August 2007. In October 1996, she obtained a certificate issued by Ministry of Personnel of the People's Republic of China for her professional qualification of intermediate level in economics of insurance.

Mr. XIE Hui ("Mr. Xie"), aged 39, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Xie has been a director of Johnson Cleaning since 25 September 2015, and a director of Johnson Investment since its incorporation on 10 August 2018.

Mr. Xie has been the Chief Strategic Operating Officer of Zhuhai Huafa since April 2020, and served as the board secretary of Zhuhai Huafa from July 2017 to April 2020. He has served as the strategy director of Huafa Investment Holdings from July 2017 to March 2020, where he is responsible for strategic planning, and a director of Zhuhai Property Exchange Centre Company Limited (珠海產權交易中心有限責任公司) from September 2016 to May 2018, where he was responsible for executing and authorizing the execution of contracts and other material documents on behalf of the company. From July 2015 to July 2017, he served as the board secretary of Zhuhai Financial Investment Holdings Group Company Limited (珠海金融投資控股集團有限公司). From August 2012 to May 2018, he served as the general manager of the strategic innovation department of Zhuhai Financial Investment Holdings Group Company Limited. From April 2010 to August 2012, Mr. Xie served as project manager in the development planning department of Zhuhai Kyushu Travel Group Company Limited (珠海九洲旅遊集團有限公司), where he was mainly responsible for industry research and investment project analysis.

Mr. Xie graduated from the University of Science and Technology of China in the PRC with a Bachelor of Management in July 2003, and obtained a Master's degree in Financial Markets and Intermediaries from the Université Toulouse 1 Sciences Sociales in France in November 2009. Mr. Xie also obtained a professional qualification of intermediate level in finance issued by the Guangdong Provincial Human Resources and Social Security Department in February 2012.

Mr. YE Ning ("Mr. Ye"), aged 40, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Ye has been a director of Johnson Cleaning since 25 September 2015, and a director of Johnson Investment since its incorporation on 10 August 2018.

He serves as a vice chairman of the board and president of Huajin Asset Management (Shenzhen) Co., Ltd. (華金資產管理(深圳)有限公司) since April 2019, and serves as the vice president of Huafa Investment Holdings since March 2020. He was appointed as an assistant to the general manager of Huafa Investment Holdings from October 2012 to March 2020. He has served as a director of Zhuhai Huajin Innovative Investment Co., Ltd. (珠海華金創新投資有限公司) and the chairman of the board of directors of Zhuhai Huajin Asset Management Co., Ltd. (珠海華金資產管理有限公司) from February 2016 to July 2019. From February 2016 to January 2018, Mr. Ye was the general manager of Zhuhai Huajin Asset Management Co., Ltd. (珠海華金資產管理有限公司). From August 2015 to December 2017, Mr. Ye was appointed as a director of Zhuhai Huajin Capital Co. Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000532). Mr. Ye served in Industrial and Commercial Bank of China, Zhuhai branch as a deputy general manager of the business operation department from July 2007 to October 2010, where he was responsible for marketing the corporate finance business, client management and service management, developing the corporate syndicated loan, trustee and other businesses, and providing one-stop service and solutions to clients.

Mr. Ye graduated from Heilongjiang University in the PRC with a Bachelor of Economics in July 2002. He also obtained the qualification in dealings of securities and investment funds from the China Securities Investment Fund Industry Association in August 2018.

Ms. LEE Wing Yee Loretta, aged 45, was appointed as a Director on 9 July 2018 and was re-designated as a non-executive Director on 24 January 2019. Ms. LEE Wing Yee Loretta has been a director of Johnson Cleaning since 26 March 2018 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. LEE Wing Yee Loretta has served as a director of Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**"), a controlling shareholder of the Company and a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1381), since 28 January 2014 and was re-designated as an executive director and chairlady of the board of directors on 24 September 2014. She is mainly responsible for formulating overall strategies and making major corporate and operational decisions of the group companies of Canvest Environmental. Ms. LEE Wing Yee Loretta also served as an officer of the finance and human resource department of Dongguan Sanyang Industrial Development Co., Ltd (東莞市三陽實業發展有限公司) (formerly known as Dongguan Sanyang Industrial Development Corporation (東莞市三陽實業發展公司) from September 1997 to September 2012 and the last position she held was manager of the finance and human resource department. Dongguan Sanyang Industrial Development Co., Ltd is principally engaged in the trading of heavy oil. Ms. LEE Wing Yee Loretta is a director of each of Canvest Environmental (China) Company Limited, Best Approach Developments Limited, Yi Feng Development Limited, Century Rise Development Limited and Harvest Vista Company Limited, each of which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and a controlling shareholder of the Company.

Ms. LEE Wing Yee Loretta obtained a higher diploma in public administration and management from the City University of Hong Kong in November 1997.

Ms. WONG Ling Fong Lisa ("Ms. Wong"), aged 46, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Ms. Wong has been a director of Johnson Cleaning since 26 March 2018 and a director of Johnson Investment since its incorporation on 10 August 2018.

Ms. Wong joined Canvest Environmental on 10 June 2013 as the chief financial officer, and has served as its company secretary since 24 September 2014. She is primarily responsible for the financial management of the group. Ms. Wong was in charge of the investment department of Ng's International Investment Co. Ltd. from March 2009 to January 2012, with her last position being chief operation officer in the investment department. She was the financial controller responsible for financial planning and daily management of accounts department of Wah Yuet (Ng's) Group Holdings Limited from February 2005 to March 2009. Prior to that, she worked at KPMG from September 1998 to January 2004 and her last position held was manager.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants. She obtained a Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in November 1998.

Mr. ZHOU Wenjie ("Mr. Zhou"), aged 40, was appointed as a Director on 9 July 2018 and re-designated as a non-executive Director on 24 January 2019. Mr. Zhou has been a director of Johnson Cleaning since 7 May 2018. Mr. Zhou has also been a director of Johnson Investment since its incorporation on 10 August 2018.

Mr. Zhou joined Canvest Yuezhan Environmental Investment (Guangdong) Company Limited (粵豐粵展環保投資(廣東)有限公司) (formerly known as Yuezhan Environmental Investment (Guangdong) Company Limited (粵展環保投資(廣東)有限公司)), an investment holding company and an indirect wholly-owned subsidiary of Canvest Environmental, as deputy general manager in April 2018, where he is responsible for business development and day-to-day management. Mr. Zhou also served as the deputy general manager of the administrative department in Dongguan Water Investment Group Co. Ltd. (東莞市水務投資集團有限公司), a company primarily engaged in water-services related project investment, from November 2016 to March 2017, and served as the deputy general manager of the administrative department and director of the communist party group (黨群辦主任) from April 2017 to October 2017. He was then promoted to the general manager of the administrative department from November 2017 to March 2018. During his course of employment, he was mainly responsible for group strategic management and administrative management. Mr. Zhou worked as an officer in the general office of Dongguan Water Authority (東莞市水務局辦公室), water service administration department of Dongguan City, from August 2013 to October 2014, and was promoted to deputy office director from November 2014 to November 2016, mainly responsible for daily operations, secretarial, administrative, and external publicity work. He also worked as an officer in Economic Crime Investigation Division of the Dongguan Public Security Bureau from August 2002 to July 2013, mainly responsible for carrying out investigations in relation to major economic crimes.

Mr. Zhou obtained a Bachelor of Laws from the Criminal Investigation Police University of China in the PRC in July 2002.

Independent non-executive Directors

Mr. FAN Chiu Tat Martin ("Mr. Fan"), aged 53, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also the chairman of the Audit Committee of the Company.

Mr. Fan joined Luks Group (Vietnam Holdings) Co. Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 366) in August 1991 and currently serves as executive director, company secretary and financial controller of the company. He obtained a Bachelor of Social Sciences from the University of Hong Kong in December 1989.

Mr. Fan became a fellow member of the Association of Chartered Certified Accountants in April 1998 and an associate member of the Hong Kong Institute of Certified Public Accountants in February 1994.

Dr. GUAN Yuyan ("Dr. Guan"), aged 45, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. She is also a member of the Nomination Committee and the Remuneration Committee of the Company.

Dr. Guan joined the City University of Hong Kong as an academic visitor in August 2006. She was then promoted to an assistant professor in October 2006 and has served as associate professor since July 2015.

Dr. Guan obtained a Bachelor of Economics from Xiamen University in the PRC in July 1996. She then obtained a Master in Business Administration from the University of Miami in the United States in May 1999, and further obtained a Doctor of Philosophy in Accounting from the University of Toronto in Canada in November 2006.

Dr. Guan became a member of CPA Australia in 2016.

Mr. HONG Kam Le ("Mr. Hong"), aged 40, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also as member of the Nomination Committee of the Company.

Mr. Hong was admitted as a solicitor in Hong Kong in September 2007 and has more than 11 years' experience in the legal industry. Mr. Hong is a partner of Chungs Lawyers since November 2018. He previously served as an associate of Li & Partners from June 2010 to February 2016 and as a partner of the same firm from February 2016 to October 2018.

Mr. Hong obtained a Bachelor of Commerce and a Bachelor of Laws from the University of Sydney in June 2003 and May 2004, respectively and a postgraduate certificate in laws from the University of Hong Kong in June 2005.

Mr. Hong has served as the company secretary and authorised representative of Shengli Oil & Gas Pipe Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1080) since December 2013, and was the joint company secretaries of Jujiang Construction Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 1459) from September 2015 to July 2020.

Mr. LEUNG Siu Hong ("Mr. Leung"), aged 44, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. He is also the chairman of the Remuneration Committee and a member of the Audit Committee of the Company.

Mr. Leung has over 22 years of experience in the areas of accounting, auditing and company secretarial work. Mr. Leung has served as the financial controller and company secretary of China Starch Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3838) since February 2008. From March 2006 to January 2008, Mr. Leung worked as the financial controller, company secretary and qualified accountant of Ta Yang Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1991). From September 2004 to January 2006, he worked for Master Bridge Enterprises Limited as the Chief Accountant. From June 2002 to July 2004, Mr. Leung was an associate director of BMI Consultants Limited. From December 2000 to June 2002, Mr. Leung worked for PricewaterhouseCoopers as a senior associate. From February 1999 to September 2000, he worked for Dennis Wong & Co. as a staff accountant. Mr. Leung worked for Deloitte Touche Tohmatsu from November 1997 to June 1998 as a staff accountant.

Mr. Leung obtained a designated degree of Master of Arts in Accountancy from the University of Aberdeen in Scotland, the United Kingdom in October 1997. He also obtained a Master of Corporate Governance from the Hong Kong Polytechnic University in October 2011 and a Master of Science in Financial Analysis from The Hong Kong University of Science and Technology in June 2014. Mr. Leung is a fellow member of the Hong Kong Institute of Certified Public Accountants since February 2010 and Association of Chartered Certified Accountants since May 2007. Mr. Leung is also a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries since July 2013.

Mr. Leung was an independent non-executive director of (i) China Partytime Culture Holdings Limited (中國派對文化控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1532) from 7 August 2015 to 14 June 2019, (ii) Legend Strategy International Holdings Group Company Limited (朸濬國際集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1355) from 25 June 2015 to 9 March 2017, (iii) Sanroc International Holdings Limited (善樂國際控股有限公司) (now known as Zhaobangji Properties Holdings Limited (兆邦基地產控股有限公司)), a company listed on the Main Board of the Stock Exchange (stock code: 1660) from 20 January 2017 to 11 April 2018 and (iv) Sun Car Insurance Agency Co., Ltd. (盛世大聯保險代理股份有限公司), a company listed on the National Equities Exchange and Quotations (stock code: 831566), from 25 October 2018 to 18 May 2020, respectively. Mr. Leung is an independent non-executive director of A. Plus Group Holdings Limited (優越集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1841) since 23 March 2016.

Ms. RU Tingting ("Ms. Ru"), aged 45, was appointed as an independent non-executive Director on 3 September 2019, mainly responsible for providing independent advice to the Group. She is the chairwoman of the Nomination Committee of the Company and is also a member of the Audit Committee and the Remuneration Committee of the Company.

From February 2002 to August 2018, Ms. Ru worked in the China Securities Regulatory Commission, first as the deputy director then as the director of the Department of Listed Company Supervision. Ms. Ru has been a managing partner of Beijing Yongxing Law Firm since September 2018.

Ms. Ru obtained a Bachelor of Laws from China University of Political Science and Law in July 1995 and a Master of Laws from Renmin University of China in June 2001.

Senior Management

Executive President

Mr. NG Chun Man ("Mr. Ng"), aged 54, joined the Group as the executive president on 13 January 2020. He is mainly responsible for overseeing strategic planning, business development, operation, internal control and corporate governance of the Group. Mr. Ng has been a director of certain subsidiaries of the Company. He obtained a Bachelor of Social Sciences degree from The University of Hong Kong in 1989. Mr. Ng was awarded Professional Diploma in Real Estate Administration by The University of Hong Kong School of Professional and Continuing Education in November 2000, HKSI Practising Certificates in Securities, Corporate Finance and Asset Management by Hong Kong Securities Institute in June 2007 and Pearson BTEC Level 4 HNC Diploma in Construction and the Built Environment (Civil Engineering) (QCF) by Pearson Education Ltd. in June 2018. Mr. Ng is a licensed estate agent in Hong Kong.

Mr. Ng has over 10 years of experience holding senior management positions in various listed companies in Hong Kong. Prior to joining the Company, Mr. Ng was a director of ancillary business in Synergis Management Services Limited, a subsidiary of Synergis Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 02340), from 2016 to 2018. He was an associate director of Sino Property Services, the property management group of companies of Sino Land Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 083) from 2012 to 2015, and a director and general manager of Best Result Environmental Services Limited, a subsidiary of Sino Land Company Limited from 2008 to 2015. In his previous positions as senior management of listed companies, Mr. Ng was responsible for formulating and implementing business strategies and long term corporate planning, as well as corporate policies and standard operation procedures to strengthen corporate governance.

Corporate Governance Report

The board of directors of the Company (the "**Board**" or "**Director(s)**") is pleased to report to its shareholders on the corporate governance of the Company for the year ended 31 March 2020.

Corporate Governance Practices

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

In the opinion of the Directors, throughout the period from the Listing Date to 31 March 2020, the Company has complied with the code provisions as set out in the CG Code.

Model Code for 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.

Specific enquiry has been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 March 2020.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

Board of Directors

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Company and its subsidiaries (the "**Group**") and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises fourteen Directors, consisting of two executive Directors, seven non-executive Directors and five independent non-executive Directors as follows:–

Executive Directors

Mr. CHEUNG Kam Chiu *(Co-chief executive officer)*
Mr. SZETO Wing Tak *(Co-chief executive officer)*

Non-executive Directors

Ms. XU Jili *(Chairman)*
Ms. LI Yanmei
Mr. XIE Hui
Mr. YE Ning
Ms. LEE Wing Yee Loretta
Ms. WONG Ling Fong Lisa
Mr. ZHOU Wenjie

Independent non-executive Directors

Mr. FAN Chiu Tat Martin	(appointed on 3 September 2019)
Dr. GUAN Yuyan	(appointed on 3 September 2019)
Mr. HONG Kam Le	(appointed on 3 September 2019)
Mr. LEUNG Siu Hong	(appointed on 3 September 2019)
Ms. RU Tingting	(appointed on 3 September 2019)

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 15 to 21 of this annual report.

Save as disclosed in the prospectus of the Company dated 27 September 2019 and in this annual report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationship(s) among the Directors.

Board and Board Committees Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

As the Company was only listed on the Stock Exchange on 16 October 2019, the relevant standards were not applicable to the Company during the period from 1 April 2019 to 15 October 2019.

Apart from regular Board meetings, the Chairman also held a meeting with independent non-executive Directors only without the presence of other Directors during the year ended 31 March 2020.

During the period from the Listing Date to 31 March 2020, two Board meetings, two Audit Committee meetings, one Remuneration Committee meeting and one Nomination Committee meeting were held.

A summary of the attendance records of the Directors at the Board meetings and the respective Board committees meetings held during the period from the Listing Date to 31 March 2020 is set out below:

	Attendance/Number of Meeting(s)			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. CHEUNG Kam Chiu	2/2	–	–	–
Mr. SZETO Wing Tak	2/2	–	–	–
Ms. XU Jili	2/2	–	–	–
Ms. LI Yanmei	2/2	–	–	–
Mr. XIE Hui	2/2	–	–	–
Mr. YE Ning	2/2	–	–	–
Ms. LEE Wing Yee Loretta	2/2	–	–	–
Ms. WONG Ling Fong Lisa	2/2	–	–	–
Mr. ZHOU Wenjie	2/2	–	–	–
Mr. FAN Chiu Tat Martin	2/2	2/2	–	–
Dr. GUAN Yuyan	2/2	–	1/1	1/1
Mr. HONG Kam Le	2/2	–	–	1/1
Mr. LEUNG Siu Hong	2/2	2/2	1/1	–
Ms. RU Tingting	2/2	2/2	1/1	1/1

Note: During the year ended 31 March 2020, no general meeting was held.

Chairman and Chief Executive Officers

The position of chairman of the Company (the "**Chairman**") is held by Ms. XU Jili and the positions of Co-chief executive officers are held by Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officers focus on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

From the Listing Date to 31 March 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of two years commencing from the Listing Date, subject to termination on certain circumstances as stipulated in their respective letter of appointment.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the amended and restated articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. The Company's amended and restated articles of association also provides that all Directors appointed to fill a casual vacancy shall hold office until the first general meeting of the Company after the appointment and be subject to re-election at such shareholders meeting. The retiring Directors shall be eligible for re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to management team.

The Company has arranged appropriate liability insurance on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials/updates on relevant topics would be provided to Directors where appropriate.

All Directors are encouraged to attend relevant training courses at the Company's expenses.

According to the records maintained by the Company, during the year ended 31 March 2020, all the current Directors had participated in appropriate continuous professorial development activities by ways of attending training sessions, briefings, seminars, conferences and workshops etc, and/or reading articles, newspapers, journals, magazines and/or updates relevant to the Group's businesses or to the Directors' duties and responsibilities, and corporate governance.

The training records of the Directors for the year ended 31 March 2020 are summarized as follows:

Directors	Type(s) of Training [Note]
Executive Directors	
Mr. CHEUNG Kam Chiu	B
Mr. SZETO Wing Tak	B
Non-executive Directors	
Ms. XU Jili	B
Ms. LI Yanmei	B
Mr. XIE Hui	B
Mr. YE Ning	B
Ms. LEE Wing Yee Loretta	B
Ms. WONG Ling Fong Lisa	B
Mr. ZHOU Wenjie	B
Independent non-executive Directors	
Mr. FAN Chiu Tat Martin	A & B
Dr. GUAN Yuyan	B
Mr. HONG Kam Le	A & B
Mr. LEUNG Siu Hong	A & B
Ms. RU Tingting	B

Notes:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant articles, newspapers, journals, magazines and relevant publications

Board Committees

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders of the Company upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 8 to 9 of this annual report.

Audit Committee

The Audit Committee consists of three Independent non-executive Directors, namely Mr. FAN Chiu Tat Martin, Ms. RU Tingting and Mr. LEUNG Siu Hong. Mr. FAN Chiu Tat Martin is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditor, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the year ended 31 March 2020, the Audit Committee has reviewed the interim financial results and report and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditor and engagement of non-audit services and relevant scope of works, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budgets.

The Company's annual results announcement and annual report have been reviewed by the Audit Committee.

The Audit Committee held two meetings during the year ended 31 March 2020 and the attendance of each member is listed under section headed "Board and Board Committees Meetings and Directors' Attendance Records".

The Audit Committee also met the external auditor twice without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. LEUNG Siu Hong, Dr. GUAN Yuyan and Ms. RU Tingting. Mr. LEUNG Siu Hong is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year ended 31 March 2020, the Remuneration Committee reviewed the remuneration policy and the remuneration packages of the executive Directors and senior management, and recommended them to the Board for adoption.

The Remuneration Committee held one meeting during the year ended 31 March 2020 and the attendance of each member is listed under section "Board and Board Committees Meetings and Directors' Attendance Records".

Details of the remuneration of the senior management by band are set out in note 15 to the consolidated financial statements.

Nomination Committee

The Nomination Committee consists of three members, namely Ms. RU Tingting, Dr. GUAN Yuyan and Mr. HONG Kam Le. Ms. RU Tingting is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the year ended 31 March 2020, the Nomination Committee reviewed the structure, size and composition of the Board and the independence of the independent non-executive Directors, and reviewed and recommended to the Board on the appointment of the executive president. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

The Nomination Committee held one meeting during the year ended 31 March 2020 and the attendance of each member is listed under section headed "Board and Board Committees Meetings and Directors' Attendances Records".

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will report annually on the Board's composition under diversified perspectives and monitor the implementation of the Board Diversity Policy. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to talent, skills, professional experience, independence and knowledge.

In designing the Board's composition and selection of candidates, Board diversity has been considered from a range of diversity perspectives, including but not limited to talent, skills, professional experience, independence and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to consider candidates from a wide range of backgrounds and consider candidates on merit and against objective criteria taking care that the candidates possess skills, knowledge and experience relevant to the operations of the Company, have enough time available to devote to the position and, in case of independent non-executive director, the independence requirements set out in the Listing Rules (as amended from time to time), and take into account various aspects set out in the Board Diversity Policy of the Company including but not limited to gender, age, cultural and educational background, or professional experience, as well as the Company's business model and specific needs. The candidate must satisfy the Board that he/she has the character and integrity and is able to demonstrate a standard of competence commensurate with the relevant position as a director of the Company.

The Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. From the Listing Date to 31 March 2020, there was no change in the composition of the Board.

The Nomination Committee will review the structure, size, composition (including skills, knowledge and experience) of the Board on a regular basis at least annually and diversity of the Board to ensure that it has a balance of expertise, skills and experience and diversity of perspective appropriate to the complement the Company's corporate strategy.

The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

As no corporate governance committee has been established, the Board is responsible for, among after things, formulating and reviewing the policies and practices on corporate governance of the Group and making recommendations, monitoring the compliance of legal and regulatory requirements, reviewing and monitoring the training and continuous professional development of Directors and senior management, and reviewing the Group's compliance with the CG Code and the disclosures in the annual report. The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function.

To the best knowledge of the Directors, during the Year, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

Risk Management and Internal Controls

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading management team and overseeing their design, implementation and monitoring of the risk management and internal control systems.

During the year ended 31 March 2020, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks:

Risk Areas	Principal Risks
Strategic Risk	Hong Kong's economy is impacted by both international and domestic unfavourable factors. The Group is facing keen competition in the environmental hygiene service industry as well. In order to maintain the market leadership in the environmental hygiene service industry and further enhance competitiveness, the Group is continuously (i) building and sustaining the reputation as high-quality and customized environmental hygiene service provider; (ii) increasing operational efficiency and service excellence to enhance customer experience; and (iii) introducing more innovative technology and equipment to increase the quality and efficiency of our environmental hygiene service.
Operational Risk	The Group's revenue is derived from service contracts awarded through tendering processes or quotations submissions and there is no guarantee of success of new tenders or renewal of existing services contracts. Besides, the environmental hygiene service market exhibits a long-standing shortage of labour and high turnover rate. In response to the tender risk, the Group avoids over-reliance on one or two market segments or customers by establishing a relatively broad customers base ranging from various government departments in Hong Kong to non-government sectors customers such as property management companies and educational institutions etc. In response to the labour shortage and high turnover risk, (i) the Group is continuously introducing advance automation equipment to reduce manpower shortage and costs; (ii) internal manpower rotation plans are developed to match existing and future human resources needs; and (iii) employees' remuneration packages are reviewed regularly for competitiveness.

Risk Areas	Principal Risks
Compliance Risk	The Group is exposed to litigation claims including employees' compensation claims, common law personal injury claims and insurance coverage may not provide adequate cover for those claims. In response to the above risk, the Group (i) provides sufficient protective clothing and equipment, as well as safety trainings for frontline workers; (ii) adopts comprehensive work safety guidelines to reduce the risk of work-related accidents; and (iii) reviews regularly on whether adequate insurance coverage is maintained for the Group's employees, business and properties.
Financial Risk	Please refer to note 6 to the consolidated financial statements for the financial risks facing by the Group.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, operation, financial reporting, human resources and information technology. Management is responsible for implementing the internal controls system to manage risks.

The key elements of the Company's risk management and internal control structure are as follow:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff; and
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken when necessary.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted regularly to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provided mitigation plans, monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of such systems.

The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2020.

The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Company, it would be more cost effective to appoint external independent internal control consultant to review the internal control systems and procedures of the Company in assessing the adequacy of the internal controls. In the course of its reviews, the internal control consultant conducted interviews with the designated responsible personnel and examined relevant documents to identify the deficiencies in the Company's internal control procedures and provided recommendations for improvement. The Company has implemented relevant measures to improve its internal control systems with reference to those recommendations.

The Board, as supported by the Audit Committee as well as the management report and the internal control review findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 March 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing system is in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its inside information policy which provides a written guidelines to the Directors, the Company's senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Directors' Responsibility in respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2020.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 52 to 56.

Auditor's Remuneration

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 March 2020 amounted to HK$1,062,500 and HK$310,000 respectively. An analysis of the remuneration paid to the external auditor of the Company, RSM Hong Kong, in respect of audit services and non-audit services for the year ended 31 March 2020 is set out below:

Service Category	**Fees Paid/ Payable** (HK$)
Audit Services	
– Annual audit services	800,000
– Listing services (included in listing expenses)	262,500
Non-audit Services	
– Review on 2019 interim results	280,000
– Taxation services	30,000
	1,372,500

Company Secretary

Mr. LI Zhuang and Ms. LEE Mei Yi have been appointed as the Company's joint company secretaries. Ms. LEE Mei Yi is an executive director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. LI Zhuang, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Ms. LEE Mei Yi on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 March 2020, Mr. LI Zhuang and Ms. LEE Mei Yi have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

Constitutional Documents

The Company's existing amended and restated memorandum and articles of association (the "**New M&A**") were amended for the purpose of bringing the memorandum and articles of association in line with the requirements of the Listing Rules. The Company has adopted the New M&A by a special resolution passed on 3 September 2019, with the amended and restated memorandum of association taking effect from 3 September 2019 and the amended and restated articles of association taking effect from the Listing Date, respectively. The New M&A is available on the Company's website and the Stock Exchange's website.

Save as disclosed above, there was no change in the constitutional documents of the Company during the year ended 31 March 2020.

Shareholders' Rights

The Company engages with its shareholders through various communication channels.

To safeguard shareholders' interests and rights, separate resolution(s) should be proposed for each substantially separate issue at general meetings, including the election of individual director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting at the Request of Shareholders

Pursuant to Article 64 of the amended and restated articles of association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings by Shareholders

There is no provision allowing the Company's shareholders to put forward new resolutions at general meetings under the Companies Law of the Cayman Islands or the amended and restated articles of the Company. The Company's shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, shareholders of the Company may send written enquiries to the Company, the contact details of which are contained on the website of the Company (www.johnsonholdings.com).

For the avoidance of doubt, the Company's shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors

The Company considers that effective communication with its shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Policies relating to Shareholders

The Company has in place a Shareholder Communication Policy to ensure that its shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy. The Company does not have a fixed dividend payment ratio and may distribute dividends by way of cash or by other means that the Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to the Company's shareholders' approval. The Board will review the Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results
- Shareholders' interests
- general business conditions, strategies and future expansion needs
- the Group's capital requirements
- the payment by its subsidiaries of cash dividends to the Company
- possible effects on liquidity and financial position of the Group
- other factors the Board may deem relevant

Report of the Directors

The board of directors of the Company (the "**Board**" or "**Director(s)**") is pleased to present their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2020.

Principal Activities

The Company is an investment holding company. The Group is engaged in provision of cleaning, janitorial and other related services. Particulars of the Company's principal subsidiaries, including their respective activities, are set out in note 39 to the consolidated financial statements.

Business Review

A review of the Group's business during the year ended 31 March 2020, which includes a description of the principal risks and uncertainties facing the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future development in the Group's business are set out in the Management Discussion and Analysis on pages 10 to 14 of this annual report.

In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group are included in the Corporate Governance Report of this annual report, and the discussions on the Group's environmental policies, relationships with its employees, customers and suppliers are included in the Environmental, Social and Governance Report which will be available by October 2020.

All these discussions form part of this Report of the Directors.

Results

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2020 (2019: nil).

Share Capital

Details of the movement in the share capital of the Company during the year ended 31 March 2020 are set out in note 31 to the consolidated financial statements.

Distributable Reserves

As at 31 March 2020, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands (the "**Companies Law**"), amounted to approximately HK$263.3 million. Under the Companies Law, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend, if any, is proposed to be distributed. The Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Details of the movements in reserves of the Company during the year ended 31 March 2020 are set out in note 32(b) to the consolidated financial statements.

Group Financial Summary

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 March 2020 is set out on page 128 of this annual report.

Donations

The total donations made by the Group during the year ended 31 March 2020 amounted to approximately HK$30,000. (2019: HK$12,000).

Use of Proceeds from the Initial Public Offering

The Company's ordinary shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of global offering of 125,000,000 new Shares at an offer price of HK$1.0 per share on 16 October 2019. Immediately upon completion of the global offering and as at 31 March 2020, the total number of issued Shares is 500,000,000 Shares. The gross proceeds from the global offering amounted to HK$125 million before deduction of related expenses. The net proceeds from the global offering after deduction of the underwriting commission and related listing expenses were approximately HK$87.9 million.

The below table sets out the actual use and proposed applications of the net proceeds from the Listing Date to 31 March 2020:

Purpose	Approximate percentage of total amount	Net proceeds from the global offering (HK$ million)	Actual use of proceeds up to 31 March 2020 (HK$ million)	Remaining proceeds as at 31 March 2020 (HK$ million)	Expected timeline of full utilisation of the remaining proceeds
Financing the upfront cost to manage the cash flow mismatch between salaries payment and collection of sales receipt	34.8%	30.6	30.6	0	NA
Enhancing operational efficiency and quality of environmental hygiene service by upgrading hardware and software as well as recruiting additional talents mainly for contracting and operation department	19.0%	16.7	2.1	14.6	By March 2021
Acquiring suitable new specialised motor vehicles for rendering environmental hygiene service	17.4%	15.29	15.29	0	NA
Development of waste management business including, among others, to develop or acquire businesses related to waste management such as running of fleets	17.0%	14.94	2.31	12.63	By March 2021
Purchase of suitable new automated cleaning machineries and equipment mainly for rendering environmental hygiene service	5.8%	5.1	0.42	4.68	By March 2021
General working capital	6.0%	5.27	5.27	0	NA
	100%	87.9	55.99	31.91	

All unutilised net proceeds have been deposited with licensed banks in Hong Kong. The Group intends to apply the remaining proceeds as shown above.

As at the date of this annual report, the Directors consider that these proceeds are intended to be applied in accordance with the proposed application set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 27 September 2019.

Properties, Plant and Equipment

Details of the movements in properties, plant and equipment during the year ended 31 March 2020 are set out in note 18 to the consolidated financial statements.

Bank and other Borrowings

Details of bank and other borrowings as at 31 March 2020 are set out in note 28 to the consolidated financial statements.

During the year ended 31 March 2020, the corporate guarantees provided by the controlling shareholders of the Company, Hong Kong Huafa Investment Holdings Limited and Canvest Environmental (China) Company Limited, to the Group in respect of certain bank borrowings have been released and replaced by the Company's corporate guarantees upon the listing of the Shares on the Main Board of the Stock Exchange.

Group Reorganisation

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 July 2018.

In the preparation of listing of the Shares on the Main Board of the Stock Exchange, the Group has undergone the reorganization as a result of which the Company became the holding company of the companies now comprising the Group on 18 February 2019. Details of the group reorganization are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus and note 31(d) to the consolidated financial statements.

Subsidiaries

Particulars of the subsidiaries of the Company as at 31 March 2020 are set out in note 39 to the consolidated financial statements.

Events after the Reporting Period

The Group does not have material events after the end of reporting period.

Dividend Policy

Details of the Company's dividend policy are set out in the section headed "Corporate Governance Report" in this annual report.

Contracts with Controlling Shareholders

Save as disclosed in note 38 to the consolidated financial statements, no contract of significance has been entered into between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries during the year ended 31 March 2020.

Acquisitions, Disposals and Significant Investment

Save as disclosed in this annual report, the Group did not have any significant investment or material acquisition or disposal of subsidiaries, affiliated companies and joint ventures during the year ended 31 March 2020.

Major Customers and Suppliers

During the Year, the percentages of sales attributable to the largest customer and the five largest customers of the Group are 36.1% and 70.8% respectively.

During the Year, the largest supplier and the five largest suppliers of the Group accounted for approximately 2.9% and 6.9% of the total purchases of the Group respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Directors

The Directors during the year ended 31 March 2020 and up to the date of this annual report were:

Executive Directors

Mr. CHEUNG Kam Chiu *(Co-chief executive officer)*
Mr. SZETO Wing Tak *(Co-chief executive officer)*

Non-executive Directors

Ms. XU Jili *(Chairman)*
Ms. LI Yanmei
Mr. XIE Hui
Mr. YE Ning
Ms. LEE Wing Yee Loretta
Ms. WONG Ling Fong Lisa
Mr. ZHOU Wenjie

Independent non-executive Directors

Mr. FAN Chiu Tat Martin	(appointed on 3 September 2019)
Dr. GUAN Yuyan	(appointed on 3 September 2019)
Mr. HONG Kam Le	(appointed on 3 September 2019)
Mr. LEUNG Siu Hong	(appointed on 3 September 2019)
Ms. RU Tingting	(appointed on 3 September 2019)

In accordance with Article 109 of the amended and restated articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election.

In accordance with Article 113 of the amended and restated articles of association of the Company, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

All Directors will retire from office and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company to be held on 3 September 2020 (the "**2020 AGM**"). Details of the Directors to be re-elected at the 2020 AGM are set out in the circular to shareholders of the Company dated 23 July 2020.

Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company considered each of the independent non-executive Directors to be independent.

Biographical Details of Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out on pages 15 to 21 of this annual report.

Director's Service Agreements

Each of the executive Directors has entered into a service agreement with the Company commencing from 14 August 2019 for a term of two years (subject to termination in certain circumstances as stipulated in the relevant service agreement).

Each of the non-executive Directors (including the independent non-executive Directors) has signed a letter of appointment with the Company for a term of two years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment).

All the non-executive Directors and independent non-executive Directors are appointed for a fixed period but subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the amended and restated articles of association.

None of the Directors being proposed for re-election at the 2020 AGM has entered into a service agreement or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the year ended 31 March 2020.

Interests of Directors and Their Associates in Competing Business

During the period from the Listing Date to 31 March 2020, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Permitted Indemnity Provision

Pursuant to the amended and restated articles of association of the Company, the Directors and other officers of the Group shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has purchased the directors and officers liability insurance to provide appropriate protection for its Directors and senior management of the Company.

The permitted indemnity provision was in force during the year ended 31 March 2020 for the benefit of the Directors.

Directors' and Senior Management's Emoluments and Five Highest Paid Individuals

Details of the remuneration of the Directors and senior management, together with those of the five highest paid individuals of the Group for the year ended 31 March 2020 are set out in note 15 to the consolidated financial statements.

The remuneration packages of individual Directors and senior management (including salaries and other benefits) are recommended by the Remuneration Committee for the Board's approval, with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Connected Transaction and Continuing Connected Transaction

During the period from the Listing Date to 31 March 2020, the Company did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules.

Related Party Transaction

Details of the related party transactions for the year ended 31 March 2020 are set out in note 38 to the consolidated financial statements. Save for the listing expenses to related companies which were incurred before the Listing Date and did not constitute connected transactions, the other related party transactions as set out in note 38(a) to the consolidated financial statements constituted fully exempt connected transactions and fully exempt continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Company has complied with the requirements under Chapter 14A of the Listing Rules.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party or were parties, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, were entered into or subsisted at the end of the year or at any time during the year ended 31 March 2020.

Share Options of the Company

The Company has no share option scheme as at the date of this annual report.

Equity-Linked Agreements

No equity-linked agreements were entered into during the year or subsisted at the end of the year ended 31 March 2020.

Directors' Right to acquire Shares or Debentures

At no time during the year ended 31 March 2020 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Directors' Remuneration

The Directors' fees are approved by shareholders of the Company at the annual general meeting of the Company and the other emoluments payable to executive Directors are determined by the Board based on the recommendation of the Remuneration Committee with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Details of remuneration of Directors are set out in note 15(a) to the consolidated financial statements.

Retirement and Employees Benefits Scheme

Details of retirement benefit scheme of the Group are set out in note 4(o) to the consolidated financial statements.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 31 March 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding in issue as at 31 March 2020
LEE Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) (Note 2)	30.75%

Notes:

1. The letter "L" denotes the entity/person's long positions in the Shares.

2. Canvest Environmental Protection Group Company Limited ("**Canvest Environmental**") is owned as to 54.75% by Best Approach Developments Limited ("**Best Approach**") (which is in turn directly held as to 55% by Harvest Vista Company Limited ("**Harvest Vista**") and indirectly held as to 45% by Harvest Vista through Century Rise Development Limited ("**Century Rise**")). The entire issued share capital of Harvest Vista is held by HSBC International Trustee Limited as trustee of Harvest VISTA Trust, a trust which Ms. LEE Wing Yee Loretta and Mr. LAI Kin Man are founders and established in accordance with the laws of the British Virgin Islands, and Mr. LAI Chun Tung, spouse of Ms. LEE Wing Yee Loretta, is the beneficiary of Harvest VISTA Trust. The discretionary beneficiaries of Harvest VISTA Trust include Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man and the personal trust of Ms. LEE Wing Yee Loretta (the beneficiaries of which are Ms. LEE Wing Yee Loretta and her immediate family members). Canvest Environmental (China) Company Limited ("**Canvest (China)**") is an investment holding company indirectly wholly owned by Canvest Environmental through Yi Feng Development Limited ("**Yi Feng**") for the purpose of holding Shares. Under the SFO, Best Approach, Harvest Vista, Century Rise, Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man, Mr. LAI Chun Tung and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 March 2020, so far as the Directors are aware, the interests or short positions of the entities/persons, other than a Director or chief executives of the Company, in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding in issue as at 31 March 2020
Hong Kong Huafa Investment Holdings Limited ("**Hong Kong Huafa**")	Beneficial interest and interest in controlled corporation	221,250,000 (L) *(Note 2)*	44.25%
Zhuhai Huafa Group Company Limited ("**Zhuhai Huafa**")	Interest in controlled corporation	221,250,000 (L) *(Note 2)*	44.25%
Canvest (China)	Beneficial interest	153,750,000 (L)	30.75%
Yi Feng	Interest in controlled corporation	153,750,000 (L) *(Note 3)*	30.75%
Canvest Environmental	Interest in controlled corporation	153,750,000 (L) *(Note 4)*	30.75%
Best Approach	Interest in controlled corporation	153,750,000 (L) *(Note 5)*	30.75%
Century Rise	Interest in controlled corporation	153,750,000 (L) *(Note 5)*	30.75%

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding in issue as at 31 March 2020
Harvest Vista	Interest in controlled corporation	153,750,000 (L) (Note 5)	30.75%
LAI Kin Man	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) (Note 5)	30.75%
LAI Chun Tung	Beneficiary of a trust (other than a discretionary interest)	153,750,000 (L) (Note 5)	30.75%
LEE Wing Yee Loretta	Founder of a discretionary trust who can influence how the trustee exercises his discretion	153,750,000 (L) (Note 5)	30.75%
HSBC International Trustee Limited	Trustee	153,750,000 (L) (Note 5)	30.75%
South Pacific International Trading Limited ("**South Pacific**")	Beneficial interest	45,000,000 (L)	9.00%
SIIC Estate Company Limited	Interest in controlled corporation	45,000,000 (L) (Note 6)	9.00%
SIIC Investment Company Limited	Interest in controlled corporation	45,000,000 (L) (Note 6)	9.00%

Name of substantial shareholder	Capacity/Nature of interest	Number of Shares held (Note 1)	Approximate percentage of shareholding in issue as at 31 March 2020
SIIC International (BVI) Company Limited	Interest in controlled corporation	45,000,000 (L) (Note 6)	9.00%
Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**")	Interest in controlled corporation	45,000,000 (L) (Note 6)	9.00%

Notes:

1. The letter "L" denotes the entity/person's long position in the Shares.

2. 210,000,000 Shares are registered in the name of Hong Kong Huafa and 11,250,000 Shares are registered in the name of HJ Capital (International) Holdings Company Limited ("**HJ Capital (International)**"). Since HJ Capital (International) is owned as to 36.88% by Hong Kong Huafa through Huajin Investment Company Limited, Hong Kong Huafa is deemed to be interested in 11,250,000 Shares held by HJ Capital (International) under the SFO. Since the entire share capital of Hong Kong Huafa is wholly owned by Zhuhai Huafa, under the SFO, Zhuhai Huafa is deemed to be interested in all the Shares held by Hong Kong Huafa and HJ Capital (International). Zhuhai Huafa is a PRC state-owned conglomerate based in Zhuhai, the People's Republic of China.

3. The Shares are registered in the name of Canvest (China), the entire share capital of which is wholly owned by Yi Feng. Under the SFO, Yi Feng is deemed to be interested in all the Shares held by Canvest (China).

4. Yi Feng is wholly owned by Canvest Environmental. Under the SFO, Canvest Environmental is deemed to be interested in all the Shares held by Canvest (China) (through its shareholding in Yi Feng).

5. Canvest Environmental is owned as to 54.75% by Best Approach (which is in turn directly held as to 55% by Harvest Vista and indirectly held as to 45% by Harvest Vista through Century Rise). The entire issued share capital of Harvest Vista is held by HSBC International Trustee Limited as trustee of Harvest VISTA Trust, a trust which Ms. LEE Wing Yee Loretta and Mr. LAI Kin Man are founders and established in accordance with the laws of the British Virgin Islands, and Mr. LAI Chun Tung, spouse of Ms. LEE Wing Yee Loretta is the beneficiary of Harvest VISTA Trust. The discretionary beneficiaries of Harvest VISTA Trust include Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man and the personal trust of Ms. LEE Wing Yee Loretta (the beneficiaries of which are Ms. LEE Wing Yee Loretta and her immediate family members). Canvest (China) is an investment holding company indirectly wholly owned by Canvest Environmental through Yi Feng for the purpose of holding Shares. Under the SFO, Best Approach, Harvest Vista, Century Rise, Ms. LEE Wing Yee Loretta, Mr. LAI Kin Man, Mr. LAI Chun Tung and HSBC International Trustee Limited are deemed to be interested in all the Shares held by Canvest (China).

6. South Pacific is a direct wholly-owned subsidiary of SIIC Estate Company Limited and an indirect wholly-owned subsidiary of SIIC Investment Company Limited, SIIC International (BVI) Company Limited and SIIC. SIIC is a company incorporated in Hong Kong with limited liability and an overseas conglomerate controlled by the Shanghai municipal government. As at the date of this report, SIIC was the controlling shareholder of Shanghai Industrial Holdings Limited ("**SIHL**"), a limited liability company incorporated in Hong Kong whose shares are listed on the Stock Exchange (stock code: 0363). As at the date of this report, SIHL, through its indirect wholly-owned subsidiary, True Victor Holdings Limited, was interested in approximately 19.48% of Canvest Environmental. South Pacific is principally engaged in securities investment.

Save as disclosed above, as at 31 March 2020, the Company had not been notified of any entities/persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the amended and restated articles of association of the Company or the laws of the Cayman Islands, under which the Company would be required to offer new Shares on a pro-rata basis to its existing shareholders.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 22 to 36 of this annual report.

Purchase, Sale or Redemption of Securities

During the period from the Listing Date to 31 March 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

Sufficiency of Public Float

The Company was listed on the Main Board of the Stock Exchange on 16 October 2019. Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this annual report, the Company has maintained sufficient public float as required under the Listing Rules.

Auditor

The consolidated financial statements for the year ended 31 March 2020 have been audited by RSM Hong Kong. A resolution for the re-appointment of RSM Hong Kong as the auditor of the Company for the ensuing year is to be proposed at the 2020 AGM. The Company has not changed its auditor during any of the past three years.

Consulting Professional Tax Advisers

The Company is not aware of any relief from taxation available to the shareholders of the Company by reason of their holding of the Company's securities.

The Company's shareholders are recommended to consult professional advisers if they are in any doubt about the taxation implications of subscribing for holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

Closure of Register of Members

For the purposes of determining the eligibility of the shareholders of the Company to attend, speak and vote at the 2020 AGM scheduled to be held on Thursday, 3 September 2020 (or at any adjournment thereof), the register of members will be closed as appropriate as set out below:

Latest time to lodge transfer documents for registration with the Company's Hong Kong branch share registrar and transfer office	At 4:30 p.m. on Friday, 28 August 2020
Record date	Friday, 28 August 2020
Closure of the register of members	Monday, 31 August 2020 to Thursday, 3 September 2020 (both days inclusive)

For the above purpose, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than the aforementioned latest time.

Publication of Annual Report

This annual report is printed in both English and Chinese versions and is also published on the websites of the Company (www.johnsonholdings.com) and the Stock Exchange (www.hkexnews.hk).

For and on behalf of the Board

XU Jili
Chairman

Hong Kong, 26 June 2020

Independent Auditor's Report

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To the Shareholders of Hong Kong Johnson Holdings Co., Ltd.
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Hong Kong Johnson Holdings Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 57 to 127, which comprise the consolidated statements of financial position as at 31 March 2020, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. The key audit matter we identified is:

1. Accuracy of staff costs and provision

Key Audit Matter	How our audit addressed the Key Audit Matter
Accuracy of staff costs and provision Refer to note 27 to the consolidated financial statements and the accounting policies on note 4(o). The Group's staff costs comprise salaries and other staff benefits, including untaken paid leave and long service payments. The Group has a large number of staff, the costs of which account for a very substantial portion of the Group's total expenses. The Group experiences high staff turnover, especially when new service contracts are awarded or existing service contracts expire without renewal. We identified accuracy of staff costs and provision as a key audit matter because the Group's business model is labour-intensive and staff costs are critical to the Group's performance and because given the large number and high turnover of the Group's staff, there is a risk that staff costs are incorrectly calculated and/or under/over-accrued at the end of the reporting period.	Our audit procedures to assess accuracy of staff costs and provision included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to accruals for staff costs; • performing analytical procedures on the Group's salary expenses, which included forming an expectation of the current year's salaries and comparing our expectations with actual amounts recorded by the Group and investigating any significant differences identified; • re-calculating accruals for staff benefits, other than salaries, on a sample basis, and comparing the assumptions adopted in the calculations with relevant records maintained by the Human Resources Department; • comparing actual payments during the current year with the accruals for staff costs at the last reporting date to assess the accuracy of management's estimating process; and • comparing actual payments subsequent to the reporting date, if any, with the amount of staff costs accrued at the reporting date to assess whether there were any significant under/over-accrued balances as at year end.

Other Information

The directors are responsible for the Other Information. The Other Information comprises all of the information in the Company's 2020 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matter. We describe this matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Kong Wang.

RSM Hong Kong
Certified Public Accountants
Hong Kong
26 June 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	*8*	**1,784,981**	1,433,383
Cost of services		**(1,663,835)**	(1,329,857)
Gross profit		**121,146**	103,526
Other income	*9*	**2,480**	327
Other gains	*10*	**332**	297
(Allowance)/reversal of allowance for account receivables		**(1,567)**	130
Administrative expenses		**(74,979)**	(69,136)
Profit from operations		**47,412**	35,144
Finance costs	*12*	**(10,354)**	(6,908)
Profit before tax		**37,058**	28,236
Income tax expense	*13*	**(8,601)**	(6,429)
Profit for the year	*14*	**28,457**	21,807
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year attributable to the equity shareholders of the Company		**28,457**	21,807
Earning per share			
Basic and diluted (HK cents per share)	*17*	**6.6**	5.8

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	*18*	**84,167**	36,896
Prepaid land lease payments	*19*	**–**	17,615
Right-of-use assets	*20*	**43,179**	–
Financial assets at fair value through profit or loss ("**FVTPL**")	*21*	**19,284**	18,570
Total non-current assets		**146,630**	73,081
Current assets			
Prepaid land lease payments	*19*	**–**	652
Account receivables	*22*	**334,853**	268,763
Prepayments, deposits and other receivables	*23*	**16,578**	8,411
Current tax assets		**2,228**	1,420
Pledged bank deposits	*24*	**16,322**	16,360
Bank and cash balances	*25*	**169,010**	87,297
Total current assets		**538,991**	382,903
Current liabilities			
Account payables	*26*	**19,216**	13,840
Accruals, other payables and provisions	*27*	**211,757**	151,191
Bank and other borrowings	*28*	**106,269**	113,749
Finance lease payables	*29*	**–**	2,715
Lease liabilities	*29*	**7,013**	–
Total current liabilities		**344,255**	281,495
Net current assets		**194,736**	101,408
Total assets less current liabilities		**341,366**	174,489

Consolidated Statement of Financial Position (Continued)

As at 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Provisions	*27*	**4,261**	3,097
Finance lease payables	*29*	**–**	7,437
Bank and other borrowings	*28*	**10,678**	–
Deferred tax liabilities	*30*	**10,092**	2,926
Lease liabilities	*29*	**16,097**	–
Total non-current liabilities		**41,128**	13,460
NET ASSETS		**300,238**	161,029
Equity			
Share capital	*31*	**5,000**	3,750
Reserves	*33*	**295,238**	157,279
TOTAL EQUITY		**300,238**	161,029

Approved by the Board of Directors on 26 June 2020 and are signed on its behalf by:

Mr. CHEUNG Kam Chiu | **Ms. XU Jili**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000 *(note 33(b)(i))*	Merger reserve HK$'000 *(note 33(b)(ii))*	Retained earnings HK$'000	Total equity HK$'000
At 1 April 2018	10,200	–	–	129,022	139,222
Group Reorganisation *(note 31(d))*	(6,450)	–	6,450	–	–
Total comprehensive income for the year	–	–	–	21,807	21,807
Changes in equity for the year	(6,450)	–	6,450	21,807	21,807
At 31 March 2019	3,750	–	6,450	150,829	161,029
Adjustment on initial application of HKFRS 16 *(note 3)*	–	–	–	3	3
Restated balance at 1 April 2019	3,750	–	6,450	150,832	161,032
Total comprehensive income for year	–	–	–	28,457	28,457
Issue of ordinary shares under Global Offering *(note 31(g))*	1,250	123,750	–	–	125,000
Share issuing expenses	–	(14,251)	–	–	(14,251)
Changes in equity for the year	1,250	109,499	–	28,457	139,206
At 31 March 2020	5,000	109,499	6,450	179,289	300,238

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**37,058**	28,236
Adjustments for:		
Depreciation	**13,349**	6,001
Amortisation of prepaid land lease payments	**–**	652
Fair value gain on financial assets at FVTPL	**(249)**	(279)
Finance costs	**10,354**	6,908
Interest income	**(456)**	(125)
Dividend income from financial assets at FVTPL	**(100)**	(101)
Depreciation of right-of-use assets	**4,645**	–
Gain on disposals/written off of property, plant and equipment, net	**(83)**	(18)
Allowance/(reversal of allowance) for account receivables	**1,567**	(130)
Provision for employee benefits	**29,125**	11,566
Operating profit before working capital changes	**95,210**	52,710
Increase in account receivables	**(67,657)**	(31,839)
Increase in prepayments, deposits and other receivables	**(4,569)**	(2,745)
Increase in account payables	**5,376**	1,569
Increase in accruals and other payables	**32,605**	23,585
Cash generated from operations	**60,965**	43,280
Income taxes paid	**(2,243)**	(2,672)
Interest on lease liabilities	**(491)**	–
Net cash generated from operating activities	**58,231**	40,608
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in pledged bank deposits	**38**	3,500
Interest received	**456**	125
Dividend received from financial assets at FVTPL	**100**	101
Purchases of property, plant and equipment	**(71,157)**	(18,714)
Payment of right-of-use assets	**(1,787)**	–
Proceeds from disposals/written off of property, plant and equipment	**109**	18
Purchases of financial assets at FVTPL	**(465)**	(988)
Net cash used in investing activities	**(72,706)**	(15,958)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of shares	**107,151**	–
Drawdown of bank and other borrowings	**143,762**	67,673
Repayment of bank and other borrowings	**(138,109)**	(83,503)
(Decrease)/increase in factoring loans	**(2,455)**	14,515
Principal elements of lease payment (2019: Repayment of finance lease payables)	**(4,298)**	(3,059)
Interest paid	**(9,863)**	(6,908)
Net cash generated from/(used in) financing activities	**96,188**	(11,282)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**81,713**	13,368
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**87,297**	73,929
CASH AND CASH EQUIVALENTS AT END OF YEAR	**169,010**	87,297
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**169,010**	87,297

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 9 July 2018. The address of its registered office is 4th floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands. The address of its principal place of business is 11/F, China Aerospace Centre, 143 Hoi Bun Road, Kwun Tong, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 October 2019.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 39 of the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprises Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. These consolidated financial statements also comply with applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, HK(IFRIC) 4 Determining whether an Arrangement contains a Lease, HK(SIC) 15 Operating Leases-Incentives and HK(SIC) 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(a) New definition of a lease (Continued)

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.2%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(b) Lessee accounting and transitional impact (Continued)

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(b) Lessee accounting and transitional impact (Continued)

The following table reconciles the operating lease commitments as disclosed in note 36 as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	HK$'000
Operating lease commitment disclosed as at 31 March 2019	362
Less: commitments relating to lease exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 March 2020	(156)
	206
Less: total future interest expenses	(11)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1 April 2019	195
Add: finance lease liabilities recognised as at 31 March 2019	10,152
Lease liabilities recognised as at 1 April 2019	10,347
Of which are:	
Current lease liabilities	2,854
Non-current lease liabilities	7,493
	10,347

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had been applied since the commencement date of the leases using the relevant increment borrowing rate at the date of initial application of HKFRS 16.

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(b) Lessee accounting and transitional impact (Continued)

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	Carrying amount as at 31 March 2019 HK$'000	Effects of adoption of HKFRS 16 Re-classification HK$'000	Re-cognition of leases HK$'000	Carrying amount as at 1 April 2019 HK$'000
Assets					
Right-of-use assets		–	29,319	198	29,517
Prepaid land lease payments	*(i)*	18,267	(18,267)	–	–
Property, plant and equipment	*(ii)*	36,896	(11,052)	–	25,844
Liabilities					
Lease liabilities		–	10,152	195	10,347
Finance lease payables	*(iii)*	10,152	(10,152)	–	–
Equity					
Retained earnings		150,829	–	3	150,832

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(b) Lessee accounting and transitional impact (Continued)

Notes:

(i) Upfront payments for leasehold lands in Hong Kong own used properties were classified as prepaid land lease payments as at 1 April 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to HK$652,000 and HK$17,615,000 respectively were classified to right-of-use assets.

(ii) In relation to assets previously under finance leases, the Group recategorises the carrying amount of the relevant asses which were still leased as at 1 April 2019 amounting to HK$11,052,000 as right-of-use assets.

(iii) The Group reclassified the obligation under finance leases of HK$2,715,000 and HK$7,437,000 to lease liabilities as current and non-current liabilities respectively on 1 April 2019.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profits from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element (note 37(b)). These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows (note 37(c)).

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 HK$'000	Add back: HKFRS 16 depreciation and interest expense HK$'000	Deduct: Estimated amounts related to operating lease as if under HKAS 17 *(note 1)* HK$'000	Hypothetical amounts for 2020 as if under HKAS 17 HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Financial results for year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Profit from operation	47,412	1,024	(989)	47,447	35,144
Finance costs	(10,354)	100	–	(10,254)	(6,908)
Profit before tax	37,058	1,124	(989)	37,193	28,236
Profit for the year	28,457	1,124	(989)	28,592	21,807

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

(c) Impact of the financial results and cash flows of the Group (Continued)

	2020			2019
	Amounts reported under HKFRS 16 HK$'000	Estimated amounts related to operating leases as if under HKAS 17 *(notes 1 & 2)* HK$'000	Hypothetical amounts for 2020 as if under HKAS 17 HK$'000	Compared to amounts reported for 2019 under HKAS 17 HK$'000
Line items in the consolidated statement of cash flows for year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	60,965	(1,590)	59,375	43,280
Interest element of lease rentals paid	(491)	100	(391)	–
Net cash generated from operating activities	58,231	(1,490)	56,741	40,608
Capital element of lease rentals paid	(4,298)	1,490	(2,808)	(3,059)
Net cash generated from/(used in) financing activities	96,188	1,490	97,678	(11,282)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

The preparation of the financial statements in conformity with HKFRSs 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. The areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements is presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and presentation currency.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency translation (Continued)

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Property, plant and equipment

Property, plant and equipment, including buildings held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% or over the lease term if shorter
Leasehold improvements	20%
Furniture and equipment	20%
Plant and machinery	20%
Motor vehicles	20%
Computer and software	10%

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Property, plant and equipment (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) The Group as a lessee

Policy applicable from 1 April 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

(i) The Group as a lessee (Continued)

Policy applicable from 1 April 2019 (Continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment properties and lease liabilities separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Leases (Continued)

(i) The Group as a lessee (Continued)

Policy prior to 1 April 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, except for the property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(e) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Recognition and derecognition of financial instruments (Continued)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(f) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into the following measurement category:

– amortised cost, if the instruments is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial assets (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(g) Account and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Cash and cash equivalents are assessed for expected credit loss ("**ECL**").

(i) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(k) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the ECL model under HKFRS 9 and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(l) Account and other payables

Account and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from cleaning, janitorial and other related services is recognised over time as the customers of the Group simultaneously receive and consume the benefits provided by the Group's performance as the Group performs. The progress towards complete satisfaction of a performance obligation is measured based on an output method, which recognises revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of the services.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income from financial assets at FVTPL is recognised when the rights to receive payment are established.

(o) Employees benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Employees benefits (Continued)

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits. The Group provides for the probable future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asses. Effective 1 April 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(q) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(s) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss and other comprehensive income to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

(t) Impairment of financial assets

The Group recognises a loss allowance for ECL on account receivables as well as on financial guarantee contracts. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for account receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets (Continued)

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of account receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(v) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period are adjusting events and reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amounts of property, plant and equipment as at 31 March 2020 was HK$84,167,000 (2019: HK$36,896,000).

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Impairment of account receivables

The management of the Group estimates the amount of impairment loss for ECL on account receivables based on the credit risk of account receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2020, the carrying amount of account receivables is HK$334,853,000 (net of allowance for doubtful debts of HK$2,007,000) (2019: HK$268,763,000 (net of allowance for doubtful debts of HK$440,000)).

(c) Income taxes

Significant estimates are required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year ended 31 March 2020, income tax of HK$8,601,000 (2019: HK$6,429,000) was charged to profit or loss based on the estimated profit respectively.

(d) Provision for employee benefits

The Group provides for the probable unutilised annual leave payments and future redundancy cost expected to be made to employees under relevant terms of service contracts and the Hong Kong Employment Ordinance. The provision represents management's best estimate of probable future payments which have been earned by the employees at the end of the reporting period. In addition, the Group makes provision for lump sum long service payments and gratuity on cessation of employment in certain circumstances to employees. The payments due are dependent on future events and recent payment experience may not be indicative of future payments. Any increase or decrease in the provision would affect profit or loss in future years.

As at 31 March 2020, provision for employee benefits amounted to HK$43,739,000 (2019: HK$25,668,000).

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group is exposed to equity price risk mainly through its investments in unlisted unit trusts. The management manages this exposure by maintaining a portfolio of investments with difference risk and return profiles.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the unit prices of the investments in unlisted unit trusts had been 5% higher/lower, consolidated profit after tax for the year ended 31 March 2020 would increase/decrease by HK$82,000 (2019: HK$99,000) as a result of the changes in fair value of financial assets at FVTPL.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily account receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

Account receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Account receivables are due within 14 to 90 days from the date of billing. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for account receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for account receivables as at 31 March 2020:

	2020		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.14%	257,355	362
Up to 90 days past due	0.17%	65,382	113
91–120 days past due	0.20%	4,589	10
121–365 days past due	4.91%	8,150	400
More than 365 days past due	81.11%	1,384	1,122
		336,860	2,007

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

Account receivables (Continued)

	2019		
	Expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	0.00%	184,597	–
Up to 90 days past due	0.00%	70,568	–
91–120 days past due	0.59%	5,125	30
121–365 days past due	1.30%	7,512	98
More than 365 days past due	22.27%	1,401	312
		269,203	440

Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance for account receivables during the year is as follows:

	2020 HK$'000	2019 HK$'000
At 1 April	**440**	570
Allowance/(reversal of allowance) for account receivables recognised for the year	**1,567**	(130)
At 31 March	**2,007**	440

6. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 March 2020				
Account payables	**19,216**	**–**	**–**	**19,216**
Accruals and other payables	**166,399**	**–**	**–**	**166,399**
Bank and other borrowings *(note)*	**106,871**	**3,547**	**7,993**	**118,411**
Lease liabilities	**8,025**	**7,900**	**9,160**	**25,085**
At 31 March 2019				
Account payables	13,840	–	–	13,840
Accruals and other payables	123,942	–	–	123,942
Bank and other borrowings *(note)*	113,749	–	–	113,749
Finance lease payables	3,113	2,988	4,886	10,987

Note:

Bank and other borrowings with a repayment on demand clause are included in the 'on demand or less than 1 year' time band in the above maturity analysis. At 31 March 2020, the aggregate undiscounted principal amounts of these bank and factoring loans amounted to HK$103,324,000 (2019: HK$113,749,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that the bank and other borrowings with a repayment on demand clause will be repaid in accordance with the scheduled repayment dates set out in the loan agreements as below.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 March 2020					
Bank and factoring loans	**104,759**	**414**	**1,026**	**924**	**107,123**
At 31 March 2019					
Bank and factoring loans	114,983	356	888	883	117,110

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

The Group's exposure to cash flow interest rate risk arises from its pledged bank deposits, bank deposits and bank and other borrowings. These deposits and borrowings bear interests at variable rates that vary with the then prevailing market condition.

At 31 March 2020, if interest rates had been 50 basis points lower/higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$233,000 (2019: HK$364,000) higher/lower respectively, arising mainly as a result of lower/higher interest expense on bank and other borrowings.

(f) Categories of financial instruments as at 31 March

	2020	2019
	HK$'000	HK$'000
Financial assets:		
Financial assets at amortised cost	**534,996**	375,961
Financial assets at FVTPL	**19,284**	18,570
Financial liabilities:		
Financial liabilities at amortised cost	**302,562**	251,531

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

7. FAIR VALUE MEASUREMENTS (Continued)

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements using: Level 2 HK$'000	Level 3 HK$'000	Total 31 March 2020 HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Investments in unlisted unit trusts	**1,638**	**–**	**1,638**
Investments in life insurance	**–**	**17,646**	**17,646**
Total	**1,638**	**17,646**	**19,284**

Description	Fair value measurements using: Level 2 HK$'000	Level 3 HK$'000	Total 31 March 2019 HK$'000
Recurring fair value measurements:			
Financial assets			
Financial assets at FVTPL			
Investments in unlisted unit trusts	1,981	–	1,981
Investments in life insurance	–	16,589	16,589
Total	1,981	16,589	18,570

7. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	2020 HK$'000	2019 HK$'000
Financial assets at FVTPL		
Investments in life insurance		
At beginning of year	**16,589**	15,237
Additions	**465**	988
	17,054	16,225
Total gains recognised in profit or loss	**592**	364
At end of year	**17,646**	16,589

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other gains in the consolidated statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's Chief Financial Controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The Chief Financial Controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the Chief Financial Controller and the Board of Directors at least twice a year.

Level 2 fair value measurements

Description	Valuation technique	Assets fair value As at 31 March 2020 HK$'000	 2019 HK$'000
Investments in unlisted unit trusts	Derived from quoted unit prices	**1,638**	1,981

7. FAIR VALUE MEASUREMENTS (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements: (Continued)

Level 3 fair value measurements

The investments in life insurance in level 3 represents life insurance policies for key management (note 21). The fair value of key management life insurance policies is determined by reference to the cash surrender value of the insurance policies.

If the cash surrender value of the insurance policies, increase/decreased by 6% per annum, the Group's consolidated profit for the year and retained earnings would be increased/decreased by HK$1,059,000 (2019: HK$995,000).

There were no changes in the valuation techniques used.

8. REVENUE

(a) Disaggregation of revenue

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Cleaning, janitorial and other related services income	**1,784,981**	1,433,383
Timing of revenue recognition		
Services transferred over time	**1,784,981**	1,433,383

8. REVENUE (Continued)

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020 and the expected timing of recognising revenue is as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**1,466,792**	1,079,723
More than one year but not more than two years	**697,234**	529,822
More than two years	**57,892**	238,674
	2,221,918	1,848,219

9. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Interest income	**456**	125
Dividend income from financial assets at FVTPL	**100**	101
Government subsidies *(note)*	**1,575**	101
Sundry income	**349**	–
	2,480	327

Note: The amounts represented the ex-gratia payments for the retirement of certain motor vehicles and anti-epidemic cleansing subsidy received from the Government of the Hong Kong Special Administrative Region.

10. OTHER GAINS

	2020 HK$'000	2019 HK$'000
Gain on disposals/written off of property, plant and equipment, net	**83**	18
Fair value gains on financial assets at FVTPL	**249**	279
	332	297

11. SEGMENT INFORMATION

The Group has carried on a single business, which is provision of cleaning, janitorial and other related services in Hong Kong. Accordingly, there is only one single reportable segment of the Group which is regularly reviewed by the chief operating decision maker.

Geographical information:

No geographical information is presented as all of the Group's business is carried out in Hong Kong and the Group's revenue from external customers is generated and non-current assets are located in Hong Kong during the year.

Revenue from major customers:

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	2020 HK$'000	2019 HK$'000
Customer A	**645,082**	398,610
Customer B	**451,151**	360,994

12. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on lease liabilities	**491**	–
Finance lease charges	**–**	321
Interest on bank and other borrowings	**9,863**	6,587
	10,354	6,908

13. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,293**	4,532
Under-provision in prior years	**142**	–
	1,435	4,532
Deferred tax *(note 30)*	**7,166**	1,897
	8,601	6,429

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in these jurisdictions.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the years ended 31 March 2020 and 2019.

13. INCOME TAX EXPENSE (Continued)

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2020 **HK$'000**	2019 HK$'000
Profit before tax	**37,058**	28,236
Tax at the Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	**6,115**	4,659
Tax effect of income that is not taxable	**(100)**	(83)
Tax effect of expenses that are not deductible	**2,534**	2,152
Tax concession	**(20)**	(165)
Under-provision in prior year	**142**	–
Others	**(70)**	(134)
Income tax expense	**8,601**	6,429

14. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging/(crediting) the following:

	2020 **HK$'000**	2019 HK$'000
Amortisation of prepaid land lease payments	**–**	652
Cost of services *(note a)*	**1,663,835**	1,329,857
Depreciation	**13,349**	6,001
Depreciation of right-of-use assets	**4,645**	–
Listing expenses	**10,861**	12,173
Allowance/(reversal of allowance) for account receivables	**1,567**	(130)
Operating lease charges		
– warehouse and parking spaces	**–**	345
Auditor's remuneration		
– Current	**1,080**	400
– Over-provision in prior year	**–**	(80)
	1,080	320
Staff costs including directors' emoluments		
Salaries, bonuses and allowances	**1,419,254**	1,158,671
Provision for employee benefits *(note b)*	**29,125**	11,566
Retirement benefit scheme contributions	**34,858**	29,854
Other benefits	**1,516**	1,391
	1,484,753	1,201,482

Notes:

(a) For the year ended 31 March 2020, the cost of services includes staff costs and depreciation totaling HK$1,460,243,000 (2019: HK$1,181,416,000).

(b) Provision for employee benefits includes unutilised annual leave, estimated long service payments, gratuity and redundancy cost.

15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The remuneration of each director was as follows:

Name of director	Emoluments paid or receivable in respect of a person's services as a director whether of the Company or its subsidiary undertaking: Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
For the year ended 31 March 2020					
Executive Directors					
Mr. CHEUNG Kam Chiu	–	3,380	3,137	507	7,024
Mr. SZETO Wing Tak	–	3,380	3,137	507	7,024
Non-executive Directors					
Ms. LI Yanmei	–	–	–	–	–
Mr. XIE Hui	–	–	–	–	–
Mr. YE Ning	–	–	–	–	–
Ms. XU Jili	–	–	–	–	–
Ms. LEE Wing Yee Loretta	–	–	–	–	–
Ms. WONG Ling Fong Lisa	–	–	–	–	–
Mr. ZHOU Wenjie	–	–	–	–	–
Independent Non-executive Directors					
Mr. FAN Chiu Tat Martin *(note a)*	55	–	–	–	55
Dr. GUAN Yuyan *(note a)*	55	–	–	–	55
Mr. HONG Kam Le *(note a)*	55	–	–	–	55
Mr. LEUNG Siu Hong *(note a)*	55	–	–	–	55
Ms. RU Tingting *(note a)*	55	–	–	–	55
	275	6,760	6,274	1,014	14,323
For the year ended 31 March 2019					
Executive Directors					
Mr. CHEUNG Kam Chiu	–	3,380	2,213	507	6,100
Mr. SZETO Wing Tak	–	3,380	2,213	507	6,100
Non-executive Directors					
Ms. LI Yanmei	–	–	–	–	–
Mr. XIE Hui	–	–	–	–	–
Mr. YE Ning	–	–	–	–	–
Ms. XU Jili	–	–	–	–	–
Ms. LEE Wing Yee Loretta	–	–	–	–	–
Ms. WONG Ling Fong Lisa	–	–	–	–	–
Mr. ZHOU Wenjie	–	–	–	–	–
	–	6,760	4,426	1,014	12,200

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Note a: Appointed as the independent non-executive directors on 3 September 2019.

15. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included two directors (2019: two) whose emoluments are reflected in the analysis presented in note (a) above. The emoluments of the remaining three individuals are set out below:

	2020 HK$'000	2019 HK$'000
Basic salaries and allowances	**2,203**	2,095
Discretionary bonus	**525**	319
Retirement benefit scheme contributions	**202**	175
	2,930	2,589

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Nil to HK$1,000,000	**2**	3
HK$1,000,001 to HK$1,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

(c) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

16. DIVIDENDS

The directors do not recommend the payment of final dividends.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

	2020 HK$'000	2019 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share	**28,457**	21,807

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**432,377**	375,000

The weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share for both periods has been adjusted for the effect of the Global Offering as more fully explained in note 31(g) to the consolidated financial statements.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Furniture and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles HK$'000	Computer and software HK$'000	Total HK$'000
Cost							
At 31 March 2018 and 1 April 2018	7,532	196	3,658	3,151	51,427	1,183	67,147
Additions	–	–	–	583	22,867	–	23,450
Disposals	–	–	–	–	(2,029)	–	(2,029)
At 31 March 2019 and 1 April 2019	7,532	196	3,658	3,734	72,265	1,183	88,568
Reclassification due to adoption of HKFRS 16 *(note 3)*	–	–	–	–	(14,271)	–	(14,271)
Additions	–	–	3,880	1,357	65,920	–	71,157
Disposal and written off	–	–	–	–	(2,422)	–	(2,422)
Transfer from right-of-use assets	–	–	–	–	878	–	878
At 31 March 2020	**7,532**	**196**	**7,538**	**5,091**	**122,370**	**1,183**	**143,910**
Accumulated depreciation							
At 31 March 2018 and 1 April 2018	1,628	39	3,614	1,396	40,815	208	47,700
Charge for the year	204	39	18	681	4,941	118	6,001
Disposals	–	–	–	–	(2,029)	–	(2,029)
At 31 March 2019 and 1 April 2019	1,832	78	3,632	2,077	43,727	326	51,672
Reclassification due to adoption of HKFRS 16 *(note 3)*	–	–	–	–	(3,219)	–	(3,219)
Charge for the year	204	39	194	817	11,977	118	13,349
Disposal and written off	–	–	–	–	(2,396)	–	(2,396)
Transfer from right-of-use assets	–	–	–	–	337	–	337
At 31 March 2020	2,036	117	3,826	2,894	50,426	444	59,743
Carrying amount							
At 31 March 2020	**5,496**	**79**	**3,712**	**2,197**	**71,944**	**739**	**84,167**
At 31 March 2019	5,700	118	26	1,657	28,538	857	36,896

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 March 2020 and 2019, the buildings were pledged as security for the Group's bank and other borrowings.

At 31 March 2020, certain motor vehicles with net book value of HK$13,319,000 (2019: HK$Nil) were pledged as security for the Group's bank and other borrowings.

19. PREPAID LAND LEASE PAYMENTS

The Group's interests in prepaid land lease payments represent prepaid operating lease payments and their net book values are analysed as follows:

	2020 HK$'000	2019 HK$'000
At beginning of year	**18,267**	18,919
Reclassification due to adoption of HKFRS 16 *(note 3)*	**(18,267)**	–
Restated balance at beginning of year	**–**	18,919
Amortisation of prepaid land lease payments	**–**	(652)
At end of year	**–**	18,267
Current portion	**–**	(652)
Non-current portion	**–**	17,615

At 31 March 2019, prepaid land lease payments were pledged as security for the Group's bank and other borrowings.

20. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Motor vehicles HK$'000	Leased properties HK$'000	Total HK$'000
At 1 April 2019 *(note 3)*	18,267	11,052	198	29,517
Additions	–	12,780	6,068	18,848
Depreciation	(652)	(2,969)	(1,024)	(4,645)
Transfer to property, plant and equipment	–	(541)	–	(541)
At 31 March 2020	17,615	20,322	5,242	43,179

Lease liabilities of HK$23,110,000 are recognised with related right-of-use assets of HK$43,179,000 as at 31 March 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for bank and other borrowing purposes. As at 31 March 2020, the leasehold lands were pledged as security for bank and other borrowings.

	2020 HK$'000
Depreciation expenses on right-of-use assets	**4,645**
Interest expense on lease liabilities (included in finance costs)	**491**
Expenses relating to short-term lease (included in cost of goods sold and administrative)	**356**

Details of total cash outflow for leases is set out in note 37(c).

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 years to 3 years. Certain leases of motor vehicles were accounted for as finance leases and carried interest ranged from 3.3% to 4.6% during the year ended 31 March 2020 (2019: 3.1% to 4.1%). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

21. FINANCIAL ASSETS AT FVTPL

	2020 **HK$'000**	2019 HK$'000
Unlisted investments		
Financial assets at FVTPL		
Investments in unlisted unit trusts *(Note)*	**1,638**	1,981
Investments in life insurance	**17,646**	16,589
Analysed as non-current assets	**19,284**	18,570

Note: Dividend income of HK$100,000 (2019: HK$101,000) were received from these investments during the year.

The fair values of investments in unit trusts are determined by the number of unit trust held by the Group times its indicative market value at the end of each reporting period. The indicative market value is quoted by the unit trust and is calculated from its net asset value on each dealing day. At 31 March 2020 and 2019, all the unlisted unit trusts were pledged for banking facilities granted to the Group.

Investments in life insurance represent investments in life insurance policies for the key management, Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak. There are no fixed maturity and no market price for such investment. The return of the investments will be based on the guaranteed minimum return rate. The fair values of investments in life insurance are based on the surrender value of the life insurance policies at the end of each reporting period. At 31 March 2020 and 2019, all the investments in life insurance were pledged for banking facilities granted to the Group.

Financial assets at FVTPL are denominated in the following currencies:

	2020 **HK$'000**	2019 HK$'000
HK$	**1,638**	1,981
United States dollars ("**USD**")	**17,646**	16,589
	19,284	18,570

22. ACCOUNT RECEIVABLES

	2020 HK$'000	2019 HK$'000
Account receivables	**336,860**	269,203
Allowance for account receivables	**(2,007)**	(440)
	334,853	268,763

The credit terms of account receivables generally range from 14 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The ageing analysis of account receivables, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
Up to 90 days	**303,299**	244,994
91 to 180 days	**24,615**	19,812
181 days to 1 year	**7,439**	2,935
Over 1 year	**1,507**	1,462
	336,860	269,203

As at 31 March 2020, HK$55,452,000 (2019: HK$58,180,000) of account receivables were pledged to banks to secure factoring loans as set out in note 28 to the consolidated financial statements.

The carrying amounts of the Group's account receivables are denominated in HK$.

22. ACCOUNT RECEIVABLES (Continued)

Transfer of financial assets

The followings were the Group's account receivables as at 31 March 2020 and 2019 that were transferred to banks by factoring account receivables on recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the account receivables and has recognised the cash received on the transfer as secured factoring loans (note 28). These financial assets were carried at amortised cost in the Group's consolidated statements of financial position.

	2020 HK$'000	2019 HK$'000
Carrying amount of transferred assets	**55,452**	58,180
Carrying amount of associated liabilities	**(49,907)**	(52,362)
Net position	**5,545**	5,818

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Prepayments	**1,767**	4,870
Deposits	**1,189**	2,604
Other receivables	**3,674**	937
Subsidy receivables	**9,948**	–
	16,578	8,411

24. PLEDGED BANK DEPOSITS

The pledged bank deposits represented deposits pledged to banks to secure bank and other borrowings and banking facilities of the Group as set out in note 28 to the consolidated financial statements. The pledged bank deposits were with maturity of three months or less than three months.

25. BANK AND CASH BALANCES

	2020 HK$'000	2019 HK$'000
Bank balances	**168,764**	87,027
Cash on hand	**246**	270
	169,010	87,297

The carrying amounts of the Group's bank and cash balances are denominated in the following currencies:

	2020 HK$'000	2019 HK$'000
HK$	**168,865**	87,146
USD	**111**	117
Renminbi	**34**	34
	169,010	87,297

26. ACCOUNT PAYABLES

The ageing analysis of account payables, based on the date of receipt of goods or services, is as follows:

	2020 HK$'000	2019 HK$'000
Up to 30 days	**18,693**	13,324
31 to 60 days	**493**	487
Over 90 days	**30**	29
	19,216	13,840

The carrying amounts of the Group's account payables are denominated in HK$.

27. ACCRUALS, OTHER PAYABLES AND PROVISIONS

	2020 HK$'000	2019 HK$'000
Accrued staff costs and provisions	**202,634**	144,449
Other accruals	**8,207**	5,857
Other payables	**5,177**	3,982
	216,018	154,288

Presented as:

	2020 HK$'000	2019 HK$'000
Current liabilities	**211,757**	151,191
Non-current liabilities – Provisions for employee benefits	**4,261**	3,097
	216,018	154,288

Movement in provision for employee benefits is as follows:

	HK$'000
At 1 April 2018	19,078
Addition	11,566
Utilisation	(4,976)
At 31 March 2019 and 1 April 2019	25,668
Addition	29,125
Utilisation	(11,054)
At 31 March 2020	**43,739**

28. BANK AND OTHER BORROWINGS

	2020 HK$'000	2019 HK$'000
Bank loans	**53,417**	61,387
Factoring loans	**49,907**	52,362
Other borrowings	**13,623**	–
	116,947	113,749

The bank and other borrowings are repayable as follows:

	2020 HK$'000	2019 HK$'000
Within one year	**94,963**	101,595
More than one year, but not exceeding two years	**3,103**	–
More than two years, but not more than five years	**7,575**	–
Portion of bank loans that are due for repayment after one year but contain a repayment on demand clause (shown under current liabilities)	**11,306**	12,154
	116,947	113,749
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(106,269)**	(113,749)
Amount due for settlement after 12 months	**10,678**	–

28. BANK AND OTHER BORROWINGS (Continued)

The interest rates per annum were as follows:

	2020	2019
Bank loans	**HIBOR +1.18% to HIBOR +3.00%**	HIBOR +1.50% to HIBOR +3.00%
Factoring loans	**3.50%-3.93%**	2.00% to 3.51%
Other borrowings	**4.91%**	N/A

Other borrowings of HK$13,623,000 (2019: HK$Nil) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Bank loans and factoring loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

All bank and other borrowings are denominated in HK$.

At 31 March 2020, bank loans amounted to HK$33,417,000 (2019: HK$41,386,000) were secured by the Group's pledged bank deposits and account receivables, of which HK$33,417,000 (2019: HK$14,154,000) were additionally secured by the Group's buildings, right-of-use assets (2019: prepaid land lease payments) and financial assets at FVTPL.

At 31 March 2020, factoring loans amounted to HK$49,907,000 (2019: HK$52,362,000) were secured by the Group's account receivables, of which HK$49,884,000 (2019: HK$45,619,000) were additionally secured by the Group's pledged bank deposits, buildings, account receivables, right-of-use assets (2019: prepaid land lease payments) and financial assets at FVTPL.

At 31 March 2020, other borrowings amounted to HK$13,623,000 (2019: HK$Nil) were secured by the Group's motor vehicles.

At 31 March 2019, bank and other borrowings of HK$6,743,000, HK$113,749,000 and HK$49,153,000 were secured by guarantees of two directors, Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak, a shareholder, Hong Kong Huafa Investment Holdings Limited ("**Hong Kong Huafa**") and a shareholder, Canvest Environmental (China) Company Limited ("**Canvest (China)**"), respectively.

29. LEASE LIABILITIES (2019: FINANCE LEASE PAYABLES)

	Minimum lease payments		Present value of minimum lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**8,025**	3,113	**7,013**	2,715
In the second to fifth years, inclusive	**17,060**	7,874	**16,097**	7,437
	25,085	10,987	**23,110**	10,152
Less: Future finance charges	**(1,975)**	(835)	**N/A**	N/A
Present value of lease obligations	**23,110**	10,152	**23,110**	10,152
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(7,013)**	(2,715)
Amount due for settlement after 12 months			**16,097**	7,437

At 31 March 2020, the lease liabilities of the Group of HK$18,336,000 were secured by motor vehicles under right-of-use assets (2019: obligation under finance leases of HK$5,139,000, HK$1,162,000 and HK$3,851,000 were guaranteed by a director, Mr. SZETO Wing Tak, Hong Kong Huafa and Canvest (China), respectively).

All lease liabilities (2019: finance lease payables) are denominated in HK$.

30. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation
	HK$'000
At 1 April 2018	1,029
Charge to profit or loss for the year *(note 13)*	1,897
At 31 March 2019 and 1 April 2019	2,926
Charge to profit or loss for the year *(note 13)*	7,166
At 31 March 2020	10,092

31. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
– Upon incorporation on 9 July 2018	*(a)*	100	–
– Increase of authorised capital	*(c)*	37,499,900	3,750
– Increase upon share subdivision	*(e)*	337,500,000	–
At 31 March 2019 and 1 April 2019		375,000,000	3,750
Increase of authorised capital	*(f)*	2,625,000,000	26,250
At 31 March 2020		**3,000,000,000**	**30,000**
Issued and fully paid:			
Ordinary shares of HK$0.01 each			
– Upon incorporation on 9 July 2018	*(b)*	100	–
– Shares issued upon Group Reorganisation	*(d)*	37,499,900	3,750
– Increase upon share subdivision	*(e)*	337,500,000	–
At 31 March 2019 and 1 April 2019		375,000,000	3,750
– Global offering of shares	*(g)*	125,000,000	1,250
At 31 March 2020		**500,000,000**	**5,000**

Notes:

(a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9 July 2018, with an initial authorised share capital of HK$10 divided into 100 shares of HK$0.10 each.

(b) One fully paid share was allotted and issued at the par value to the initial subscriber and subsequently transferred to Hong Kong Huafa Investment Holdings Limited ("**Hong Kong Huafa**") on 9 July 2018. On the same day, the Company further allotted and issued 99 fully paid shares at par value to the then shareholders who directly held an interest in Johnson Cleaning Services Company Limited ("**Johnson**"), an indirectly wholly owned subsidiary of the Company.

(c) On 29 November 2018, the authorised share capital of the Company was further increased by HK$3,749,990 divided into 37,499,900 shares of HK$0.10 each.

31. SHARE CAPITAL (Continued)

(d) In the preparation of listing of the shares of the Company on the Main Board of Stock Exchange, the Group has undergone the Group Reorganisation, as more fully explained in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus dated 27 September 2019. Pursuant to the Group Reorganisation, the Company became the holding company of the Group on 29 November 2018.

(e) On 28 January 2019, the authorised share capital of the Company was subdivided from 37,500,000 shares of HK$0.10 each into 375,000,000 shares of HK$0.01 each. The subdivision of each of the existing issued shares of HK$0.10 each in the capital of the Company into 10 subdivided shares of HK$0.01 each with effect from 29 January 2019.

(f) On 3 September 2019, the authorised share capital of the Company was further increased from HK$3,750,000 to HK$30,000,000 divided into 3,000,000,000 shares of HK$0.01 each.

(g) On 16 October 2019, the Company issued a total of 125,000,000 shares by way of global public offering at a price of HK$1.0 each for a total cash consideration, before expenses, of HK$125,000,000 (the "**Global Offering**").

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as total debt less cash and bank balances divided by total equity. Total debt comprises bank and other borrowings (except for bank overdrafts) and lease liabilities. Total equity comprises all components of equity (i.e. share capital, share premium and retained earnings).

31. SHARE CAPITAL (Continued)

The Group's strategy, which was unchanged throughout the year, was to maintain the net gearing ratio at a reasonable level in order to secure access to finance at a reasonable cost. The net gearing ratios at 31 March 2020 were as follows:

	2020 **HK$'000**	2019 HK$'000
Total debt	**140,057**	123,901
Less: bank and cash balances	**(169,010)**	(87,297)
	(28,953)	36,604
Total equity	**300,238**	161,029
Net gearing ratio	**N/A**	0.23

Net cash during 2020 resulted primarily from the increase of bank and cash balances by the Global Offering in October 2019.

The externally imposed capital requirements for the Group are: (i) in order to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares; and (ii) to meet financial covenants attached to the interest-bearing borrowings.

The Group receives a report from the share registrars weekly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2020, 25% of the shares were in public hands.

Breaches in meeting the financial covenants would permit the bank to immediately call certain borrowings. There have been no breaches in the financial covenants of any interest-bearing borrowing for the years ended 31 March 2020 and 2019.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	**2020 HK$'000**	2019 HK$'000
Non-current assets			
Investment in a subsidiary		**157,699**	157,699
Current Assets			
Amount due from a subsidiary		**111,576**	–
Bank balances		**164**	–
		111,740	–
Current liabilities			
Accruals		**1,108**	28
Net current assets/(liabilities)		**110,632**	(28)
NET ASSETS		**268,331**	157,671
Equity			
Share capital	*31*	**5,000**	3,750
Reserves	*32(b)*	**263,331**	153,921
TOTAL EQUITY		**268,331**	157,671

Approved by the Board of Directors on 26 June 2020 and are signed on its behalf by:

Mr. CHEUNG Kam Chiu **Ms. XU Jili**

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(b) Reserve movement of the Company

	Share premium HK$'000	Contributed surplus HK$'000 *(note 33(b)(iii))*	Accumulated losses HK$'000	Total HK$'000
Upon incorporation on 9 July 2018	–	–	–	–
Group Reorganisation	–	153,949	–	153,949
Total comprehensive income for the year	–	–	(28)	(28)
At 31 March 2019 and 1 April 2019	**–**	**153,949**	**(28)**	**153,921**
Total comprehensive income for the year	**–**	**–**	**(89)**	**(89)**
Issue of ordinary shares under Global Offering	**123,750**	**–**	**–**	**123,750**
Share issuing expenses	**(14,251)**	**–**	**–**	**(14,251)**
At 31 March 2020	**109,499**	**153,949**	**(117)**	**263,331**

33. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

33. RESERVES (Continued)

(b) Nature and purpose of reserves (Continued)

(ii) Merger reserve

The merger reserve of the Group represents the difference between the nominal value of shares of a subsidiary acquired pursuant to the Group Reorganisation over the nominal value of the share capital of the Company issued in exchange thereof.

(iii) Contributed surplus

Contributed surplus of the Company represents the difference between the cost of the investment in a subsidiary pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company is available for distribution to owners, provided that the Company is, after the payment of dividends out of the contributed surplus, able to pay its liabilities as they become due; or the realisable value of the Company's assets would thereby not be less than the aggregate of its liabilities, issued share capital and reserves.

34. CONTINGENT LIABILITIES

(a) Performance bonds

At 31 March 2020, there were contingent liabilities in respect of performance bonds relating to deposits for cleaning, janitorial and other related service projects and an employment compensation insurance contract issued by banks for the Group amounting to HK$285,358,000 (2019: HK$216,438,000). The performance bonds were secured by the Group's pledged bank deposits, account receivables, buildings, right-of-use assets (2019: prepaid land lease payments) and financial assets at FVTPL.

At 31 March 2020, the performance bonds were guaranteed by the Company.

At 31 March 2019, the performance bonds were guaranteed by two directors, Mr. CHEUNG Kam Chiu and Mr. SZETO Wing Tak and two shareholders, Hong Kong Huafa and Canvest (China).

(b) Litigations

As at 31 March 2020, the Group has been involved in several on-going litigations and claims concerning personal injuries of its existing or former employees with estimated claim amounts, net of estimated insurance deductibles, of approximately HK$1,116,000 (2019: HK$1,276,000). In the opinion of the directors of the Company, the provision of insurance deductibles had been provided based on insurance policies. The estimated costs and expenses above the insurance deductibles are expected to be adequately covered by the Group's insurance policies.

35. CAPITAL COMMITMENTS

Capital commitments contracted for at the end of each reporting period but not yet incurred are as follows:

	2020 **HK$'000**	2019 HK$'000
Property, plant and equipment	**1,103**	1,342

36. LEASE COMMITMENTS

The Group as lessee

At 31 March 2019 the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000
Within one year	301
In the second to fifth years inclusive	61
	362

Operating lease payments represent rentals payable by the Group for certain of its warehouses and parking spaces. Leases are negotiated for an average term of one to two years and rentals are fixed over the lease terms and do not include contingent rentals.

The Group regularly entered into short-term leases for warehouses and carparks. As at 31 March 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 20.

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Additions to property, plant and equipment for the year ended 31 March 2020 amounted to HK$Nil (2019: HK$4,736,000) was financed by finance leases.

During the year, the additions to right-of-use assets and lease liabilities of HK$17,061,000 were recognised.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities *(note 29)* HK$'000	Factoring loans *(note 28)* HK$'000	Bank loans *(note 28)* HK$'000	Other borrowings *(note 28)* HK$'000	Finance lease payables *(note 29)* HK$'000
At 1 April 2018	–	37,847	77,217	–	8,475
Additions	–	–	–	–	4,736
Interest expenses	–	3,687	2,900	–	321
Cash flows	–	10,828	(18,730)	–	(3,380)
At 31 March 2019	–	52,362	61,387	–	10,152
Impaction on initial application of HKFRS 16 *(note 3)*	10,347	–	–	–	(10,152)
Restated balance at 1 April 2019	10,347	52,362	61,387	–	–
Additions	17,061	–	–	–	–
Interest expenses	491	6,431	3,319	113	–
Cash flows	(4,789)	(8,886)	(11,289)	13,510	–
At 31 March 2020	**23,110**	**49,907**	**53,417**	**13,623**	**–**

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 HK$'000	2019 HK$'000
Within operating cash flows	**456**	345
Within financing cash flows	**889**	–
	1,345	345

These amounts relate to the following:

	2020 HK$'000	2019 HK$'000
Lease rental paid	**1,345**	345

38. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the year:

	2020 HK$'000	2019 HK$'000
Listing expenses to related companies *(note)*	**2,918**	1,619
Compliance advisor fee to a related company *(note)*	**386**	–
Printer service fee to a related company *(note)*	**193**	–

(b) Included in the consolidated statement of financial position are the following balances with related parties:

	2020 HK$'000	2019 HK$'000
Prepayment *(note)*	**–**	540

Note: The related companies have common shareholder – Zhuhai Huafa Group Company Limited.

38. RELATED PARTY TRANSACTIONS (Continued)

(c) The remuneration of directors of the Company and other members of key management personnel during the year were as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries and allowances	9,504	9,455
Discretionary bonuses	7,650	5,383
Retirement benefit scheme contributions	1,263	1,229
	18,417	16,067

39. ALL SUBSIDIARIES

Name	Place of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/ profit sharing 2020	2019	Principal Activities
Directly held:					
Johnson Investment Holding Co., Ltd.	BVI	HK$2	100%	100%	Investment holding
Indirectly held:					
Johnson Cleaning Services Company Limited	Hong Kong	HK$10,200,000	100%	100%	Provision of cleaning, janitorial and other related services

Amount due from a subsidiary is interest free, unsecured and no fixed term of repayment.

Five Year Financial Summary

	Year ended 31 March				
	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Results					
Revenue	**1,784,981**	1,433,383	1,286,021	1,204,063	1,136,423
Profit before tax	**37,058**	28,236	41,928	52,719	34,129
Income tax expense	**(8,601)**	(6,429)	(5,997)	(8,381)	(7,686)
Profit for the year	**28,457**	21,807	35,931	44,338	26,443

	As at 31 March				
	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Assets and liabilities					
Total assets	**685,621**	455,984	395,198	333,188	318,789
Total liabilities	**(385,383)**	(294,955)	(255,976)	(214,897)	(244,836)
Total Equity attributable to the owners of the Company	**300,238**	161,029	139,222	118,291	73,953